

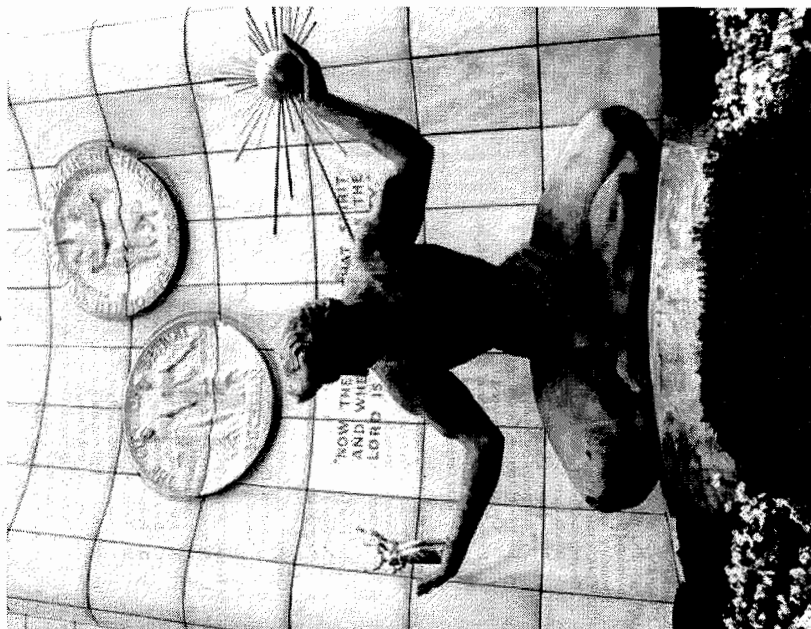
CITY OF DETROIT, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2005

City of Detroit, Michigan
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005

Kwame M. Kilpatrick
Mayor

FINAL
See attached KPMG
OPINION

Kwame M. Kilpatrick
Mayor



Prepared by the Finance Department
Roger Short, CPA
Interim Finance Director / Chief Financial Officer



*"We
hope for
better things"*

*"It shall
rise again
from the ashes"*

**FOUNDED 1701
INCORPORATED 1806
AREA (Square Miles) 137.9
POPULATION 911,402**

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CITY OF DETROIT
FINANCE DEPARTMENT
1200 COLEMAN A. YOUNG MUNICIPAL CENTER
DETROIT, MICHIGAN 48226

May 13, 2006

The City of Detroit,
The Honorable Mayor Kwame M. Kilpatrick and
The Honorable City Council

The management and staff of the Finance Department is pleased to present the City of Detroit's (the "City") Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2005 along with the Independent Auditor's Report. The CAFR is prepared by the City's Finance Department in accordance with the financial reporting principles and standards of the Governmental Accounting Standards Board.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. Accordingly, we believe that the information, as presented, is accurate in all material respects. We also believe that the financial statement presentation accurately depicts the financial position and the results of operations as measured by the financial activity of our various funds. Finally, the notes and disclosures included provide the reader with a more comprehensive understanding of the City's financial position.

Independent Audit

The City's Charter requires the Auditor General of the City to audit the transactions of all City agencies at least once every two years. The Auditor General is appointed by the City Council for a 10-year term.

Additionally, state laws require the City to have its financial statements audited by an independent, outside auditor once every five years. However, beginning with the fiscal year 1980, the Mayor and City Council agreed to have an annual financial statement audit by an independent auditor. The independent auditor's report on the financial statements is included in the financial section of this report. The City must also comply with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and non-profit organizations*.

CITY OF DETROIT GOVERNANCE STRUCTURE

The City was incorporated in 1806, and is a home rule city under State law. The organizational structure of the City is as follows:

The Executive Branch

- The Mayor heads the executive branch. The citizens of Detroit elect the Mayor to a four-year term. The City Charter grants the Mayor broad managerial powers including the authority to appoint department directors, deputy directors, and other executive branch officials. The responsibility to implement most programs, provide services, activities, and manage day-to-day operations is delegated by the Charter to the executive branch.

The Legislative Branch

- The legislative branch is comprised of the City Council and its agencies. The nine members of City Council are also elected to a four-year term. Many significant decisions, including budget appropriations, procurement of goods and services, and certain policy matters must be approved by the City Council.

Other Agencies

- The City Clerk's Office and the Election Commission are not classified under either of the two branches mentioned above.

Background and Overview

Detroit, Michigan's largest city is located in the County of Wayne in the southeastern section of the state's lower peninsula. The City covers approximately 140 square miles and accounts for nearly half of the population of Wayne County. The City is internationally known for automotive manufacturing and trade. Detroit is located on an international waterway, which is linked via the St. Lawrence Seaway to seaports around the world.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

A number of significant initiatives, outlined below, are underway in the City that will have a positive effect on the City's economic health and its ability to provide services to residents and businesses.

City of Detroit Call Centers

911

- The administration successfully opened a state of the art Computer Aided Dispatch Communications Center, which for the first time links 911 operators with Fire/EMS and Police Department Dispatchers. This new system replaced the City's 32 year-old 911 system.

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One Call to City Hall

- The City developed and implemented an extensive overhaul of Detroit's 311 system. The new one stop shop for City services provides "ONE CALL TO CITY HALL," information about City programs, hours of operation or locations, and one place to call to request a service from any of the City's 42 Agencies.

Detroit Department of Administrative Hearings

- In January 2005, code violations that were formerly processed as criminal misdemeanors began to be prosecuted as civil cases by the newly created Detroit Department of Administrative Hearings (DAH). By taking such cases out of the backlogged 36th District Court and moving them to the DAH, more cases can be resolved by hearing officers who are licensed attorneys. Cases that come before the department include violations of property maintenance, zoning, solid waste, and illegal dumping ordinances.

Issuance of Pension Obligation Certificates

Midwest Regional Deal of the Year Award

On December 6, 2005, the Mayor accepted the Midwest Regional Deal of the Year Award from The Bond Buyer on behalf of the City of Detroit during an awards banquet in New York City. The City of Detroit received the award for its landmark pension obligation certificate transaction. The Detroit Retirement Systems Funding Trust 2005 issued \$1,440,000,000 of taxable Pension Obligation Certificates of Participation (\$640 million of taxable fixed rate, Series A and \$800 million of taxable floating rate, Series B), which represents:

- o The first pension financing in the State of Michigan (state or local)
- o The largest municipal offering ever completed in City and State
- o The largest sale by a U.S. local-level government entity of taxable or tax-exempt floating rate notes in the asset-backed securities market
- o A highly intricate and creative legal, tax and credit framework
- o Protection of the City and pension systems through integrating the pension funding transaction with the funding and operational mechanisms of the pension systems.

City of Detroit Hurricane Katrina Relief Program

- On September 1, 2005, Detroit Mayor Kwame M. Kilpatrick made Detroit the first major city not adjacent to New Orleans to extend its resources to the victims of Hurricane Katrina. Working with hotels, businesses, and human service agencies throughout the region, Mayor Kilpatrick made several resources available to those who sought refuge in Detroit and the Detroit Metro Area. The City and Wayne County activated the Hurricane Katrina Evacuees Reception and Assistance Center. The Coleman A. Young International Airport Passenger Terminal became the designated site for Homeland Security and became the official location

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for the Reception Center. On September 14, 2005, the Reception Center opened and started processing evacuees. Over 300 evacuees were served over the first four days.

Build Detroit Program

- Build Detroit is a public information campaign that the Mayor established to coordinate, manage, and communicate construction projects throughout the City. The Build Detroit campaign is a unique partnership with the business community and the media. Build Detroit helps keep metropolitan Detroit residents informed about construction delays or detours on a weekly basis. With more than 100 projects planned for the next two years, Build Detroit has proven to be a welcome addition for residents and the media.

Department of Transportation

- The Department added 121 new buses with low floors to its fleet. The low floor feature eliminates steps and wheelchair lifts and is considered a major customer service improvement.

Detroit Water and Sewerage Department

- Continuing operational efficiencies enabled the department to hold rate increases for 2005-06 to the lowest amount in 12 years.

Recreation Department

- More than 20 parks were renovated during Summer 2005 including:
 - Butler Playfield and Playscape** -- Renovations to the 5.66-acre playfield include a large new barrier-free playscape, three youth soccer fields, a ball diamond with backstop and bleachers, picnic tables, benches, trees, sidewalk, and fencing.
 - Fargo-Fenton Playfield** -- Renovations to the 2 1/4 - acre playfield include two new play structures with swing sets, under which a protective rubber surfacing was installed, a new 1/4 - mile walking trail, landscaping along the walking trail and throughout the park, which includes flowering shrubs and trees, new benches, and bike racks.
 - Peterson Playfield** -- The 17-acre playfield, the only park of its size in the area, received \$1.3 Million in renovations thanks in part to a grant award of \$950,000 from the Urban Park and Recreation Recovery (UPARR) Program. Renovations include a new playground area, water spray area, walking trail, two basketball courts, six tennis courts, three softball diamonds, baseball diamond, football/soccer field, comfort station, picnic shelter, picnic tables, grills, flag pole, peace pole, parking lot, and landscaping.
 - Skinner Playfield** -- Renovations to the seven-acre playfield include a new play structure with a protective rubber surfacing, football/soccer field, volleyball court, and new walking trail. Other amenities include benches and picnic tables.

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- The Jayne/Lasky Baseball Family Fun Center opened. This is the City's first family entertainment complex. This unique facility offers a wide variety of fun and challenging recreation and sports activities for all ages.

Economic Development

To spur Detroit's growth and build stronger neighborhoods, the Mayor has dramatically streamlined the economic development process while forming groundbreaking partnerships with the private sector and community organizations. In just three years, the results have been impressive. The City currently has more than 7,400 housing starts in the pipeline including the unprecedented Far Eastside project, which envisions a neighborhood with 3,000 homes.

1001 Woodward

This 26-story, twin office tower, adjacent to Campus Martius, is undergoing a \$20 million renovation, along with the addition of a \$10 million 500-space parking structure.

GM Global headquarters

General Motors completed a \$100 million hotel renovation to its global headquarters including the addition of 10,000 square feet of meeting space and improvements to the main entrance of the facility. A riverside promenade is currently under construction.

Downtown YMCA

Construction was completed on a \$38 million five-story YMCA recreational facility located in the City's downtown area. The new facility houses an auditorium, a swimming pool, health and fitness center, wellness center, parking garage, and childcare center.

Woodward Millennium

A \$37 million mixed-use development in the medical center area was completed last summer. The development includes 180 units of loft-style condominiums and garden-style apartments, a parking garage, and retail space.

St. Anne's Gate

This new housing development is being built in southwest Detroit near the Ambassador Bridge and consists of new single and multi-family homes. The total project cost is expected to be \$41 million.

Tri-Centennial Village

A \$19 million housing development is being constructed on Detroit's west side. The development will include 165 single-family homes, 85 of which will be constructed by Habitat for Humanity.

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- *Woodward Place at Brush Park*

Phase 1 construction of 100 town homes is complete. Construction will continue over the next three years, ultimately adding up to 700 new housing units to Brush Park. The condominiums average 1,800 square feet. The project also involves the renovation of several historic homes for residential use. The total cost of the project is \$75 million.

- *Brush Park Manor*

A 91,000 square foot senior apartment residence on 3.3 acres of land on Brush Street was recently completed. The 3-story complex consists of 113 apartments. The estimated cost of the project is \$9.9 million.

- *Greyhaven Shorepoint Village*

Greyhaven Marina Village is being constructed in phases on a 15-acre site on the Detroit River. Phase one consisted of 190 apartments and town homes overlooking the Detroit River. Phase two consists of 144 condominium units. The total cost of the development was \$21 million. A third phase under development is the \$25 million Shorepoint Village consisting of 57 single-family homes.

- *Woodbridge Estates*

The \$98 million project includes 247 rental units, 101 new homes, town homes, and duplex condominiums and 297 enhanced service units on a former public site. In addition, the project will include retail space and a community center. The project is being funded with both public and private funds.

- *Federal Reserve Bank*

The 220,000 square foot \$79.5 million reserve branch located northeast of downtown is expected to employ 275 workers handling check clearing, currency processing, economic analysis, and conferences. Its state-of-the-art design and equipment will allow the Detroit Branch's operations to be among the most efficient in the Federal Reserve System.

- *American Axle*

American Axle is completing a second building phase in its \$30 million research and training center complex next to its headquarters.

- *Morningstar Commons*

Located on the City's east side, this \$30 million housing development is being constructed in phases. The first phase of the development consisted of 40 new single-family homes. The second phase consisted of a 64-unit multi-family townhouse development. Currently under construction, phase three will consist of the construction of 50 new single-family homes and the rehabilitation of 10 existing single-family dwellings.

- *The PricewaterhouseCoopers Building*

The accounting firm, PricewaterhouseCoopers, constructed a five-story, 115,000 square foot office building adjacent to the Ford Field at a cost estimated at \$26 million. PricewaterhouseCoopers will occupy the first four floors of the building with the fifth floor available for lease to a future tenant. A 1,200 stall-parking garage will be constructed immediately north of the building on an adjacent parcel of land.

- *Kennedy Square Office Building*

This \$54 million project is being built on top of an existing underground garage in the downtown area. The 10-story 240,000 square foot building will offer ground floor retail space and house up to 1,000 workers. The building will be ready for occupancy in June 2006.

- *West Town Homes*

This west side revitalization project is the first of a two-phase project. This project will create a total of 150 single-family homes. Phase 1 creates 33 scattered, single-family affordable homes constructed on a 40-foot frontage lots. The total development cost for Phases II and I is approximately \$26 million.

- *Core City Neighborhoods*

The project includes Core City II, a 66-unit townhouse rental project; Core City West Village, a 60 unit single-family project; and Riverside Estates, a 67-unit rental apartment complex. The projects are all financed with tax credits. Together, these projects account for more than \$37 million dollars in public/private investment in the City of Detroit.

There is another \$50 million in planned commercial investment that will be located along Grand River Avenue to service residents of these housing units and the residents of the Woodbridge Historical District. The commercial portion is called Core City Town Center and has already solicited several retail outlet stores. Phases two through five will include a development of single-family, market-rate housing, consisting of approximately 170 units; a live work loft complex and specialty retail shops.

- *Circle of Life Health Care Center*

The former Saratoga Hospital on Detroit's east side is being refurbished into the Circle of Life Health Care Center, a private 90-bed facility that would serve mentally ill adults and children. The project represents an investment of \$2 million.

- *Far East Side Project*

The project consists of an ambitious eight to 12 year strategic plan to redevelop 1,200 acres with approximately 400 building sites stretching from Jefferson Avenue to Warren Avenue and from Conner Road to Alter Road. No viable homes will be torn down: the development will grow block by block. Some of the housing will be affordable, built with large subsidies

from the Michigan State Housing Development Authority and some will be market rate. In addition, retail, housing, churches, recreational facilities, public spaces, and schools are to be built in the area to complete the neighborhood.

Merchants Row

The \$30-million residential transformation of eight 1910-era buildings is located on Woodward across from Campus Martius and the site of the former Hudson's department store. Once-vacant buildings are being demolished or renovated into 163 loft apartments together with restaurants, retail outlets and offices.

■ *Forest Park III*

A \$7.8 million residential complex is currently under construction on Detroit's near west side. The project will include 100 senior citizen units.

Economic Considerations

The State Economy continues to rank at the bottom nationally in performance. The Bureau of Labor Statistics reports that the August 2005 unemployment rate for the nation was 4.9% while the State had a rate of 6.7% and the City's rate was close to 15%. The economy of the City is very dependent on automobile manufacturing which is undergoing a dramatic restructuring. The City is taking steps to aggressively pursue wireless communications, fuel cell technology, health technology and health care, and the entertainment industries to diversify the City's economy.

BUDGETARY INITIATIVES

To address fiscal year 2004-05 General Fund deficit of \$155 million, the City's budgetary initiatives in fiscal year 2005-06 include:

- An appropriation of \$101.7 million to offset the prior year deficit
- Departmental cuts (January layoffs) to reduce payroll costs – \$23.5 million.
- Sales of excess inventory – \$10.0 million.
- Reduction of non essential purchases

OUR VIEW OF THE FUTURE

Financial position is one of the key indicators of an organization's strength. While financial statements are an objective measure of the strength of the City, there are other factors, which taken together, provide the framework for our view of the City.

Since taking office in 2002, Kwame M. Kilpatrick has led tremendous growth in the City including the biggest housing and commercial construction boom in 50 years, the largest road and infrastructure improvement program in decades, and a \$2-billion overhaul of Detroit's riverfront. After decades of decline, Detroit is experiencing a revival thanks to Mayor Kilpatrick's leadership that has been recognized by media including the New York Times, USA Today, the Los Angeles Times, and the Financial Times of London.

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■ **Certificate of Achievement for Excellence in Financial Reporting**

The City is pleased that the Government Finance Officers Association (GFOA) recognized Detroit with the prestigious award for excellence in financial reporting for our 2003-04 CAFR.

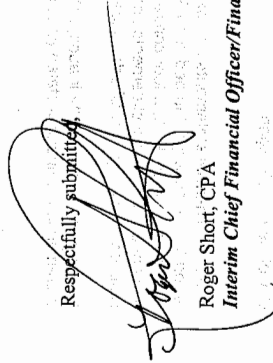
This is the third consecutive year that the City has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish a well-organized and easily understandable CAFR in accordance with Generally Accepted Accounting Principles (GAAP). A certificate is valid for a period of one year only.

We believe our current CAFR continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine eligibility for another certificate.

ACKNOWLEDGEMENTS

I wish to express my appreciation to the entire staff of all accountants and fiscal staff within the City of Detroit, the City's Finance Department, and the fiscal staff at each of our component units whose professionalism, dedication and efficiency contributed to the preparation of this report. Also, thanks to the Mayor's Office, members of City Council and the Auditor General for their interest and support in planning and conducting the City's financial affairs.

Respectfully submitted,



Roger Short, CPA

Interim Chief Financial Officer/Finance Director

OFFICE OF THE AUDITOR GENERAL
2 WOODWARD AVE, ROOM 208
DETROIT, MICHIGAN 48226
PHONE 313.224.3101
FAX 313.224.4091

LOREN E. MONROE, CPA, JD
AUDITOR GENERAL
CITY OF DETROIT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Detroit,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



Carol E. Perry
President

Jeffrey R. Egan
Executive Director

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AUDITOR GENERAL'S LETTER

May 13, 2006

The Honorable Mayor Kwame M. Kilpatrick
and Members of the City Council
City of Detroit, Michigan

The basic financial statements included in the City's Comprehensive Annual Financial
report for the fiscal year ended June 30, 2005, were audited by KPMG LLP, and Alan C.
Young Associates, P.C., under contract with the City of Detroit, Auditor General. The
audit of these financial statements and the resulting Auditors' opinion satisfies the
requirements of the City Charter under Section 4-205.

Based on the results of their audit, KPMG LLP has issued their report on the
aforementioned financial statements, dated May 13, 2006.

Respectfully,

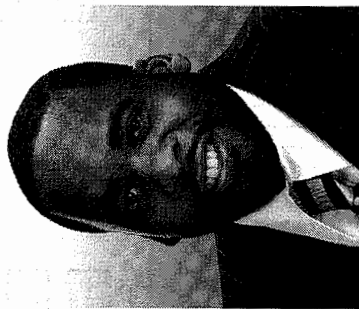
Loren E. Monroe

Loren E. Monroe
Auditor General

I-11

**PRINCIPAL OFFICIALS
Of The
CITY OF DETROIT, MICHIGAN**

**Executive
(Elected)**



**Mayor
KWAME M. KILPATRICK**

**Legislative
(Elected)
City Council**



**KENNETH V. COCKREL, JR.
President**



**MONICA CONYERS
President Pro Tem**



SHEILA M. COCKREL



BARBARA-ROSE COLLINS



BRENDA JONES



KWAME KENYATTA

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**PRINCIPAL OFFICIALS
Of The
CITY OF DETROIT, MICHIGAN**



MARTHA REEVES



ALBERTA TINSLEY-TALABI



JOANN WATSON



**City Clerk
JANICE WINFREY**

**Other Executive Officials
(Appointed)**



**ANTHONY ADAMS, ESQ.
Deputy Mayor**



**ROGER SHORT
Interim Finance Director**

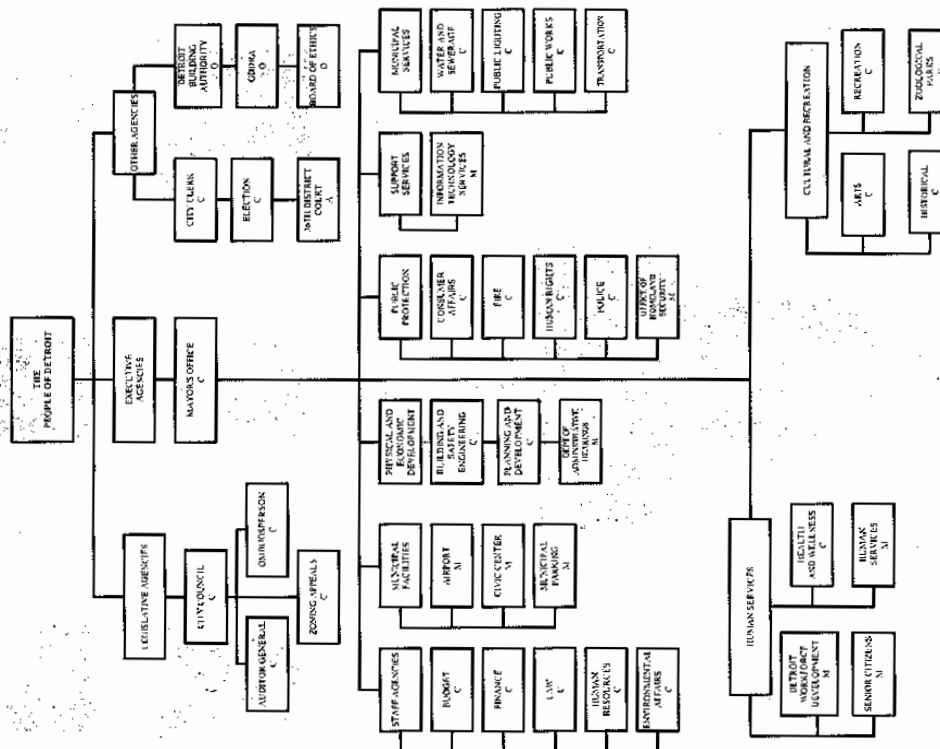


**MIKE D. BRIDGES, CPA
Chief Accounting Officer**

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CITY OF DETROIT ORGANIZATION CHART

June 30, 2005



ESTABLISHED UNDER
MAYOR'S EXECUTIVE
ORDINANCE NO. 100
O-CITY ORDNANCE

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**INDEPENDENT
AUDITORS'
REPORT**



KPMG LLP
Suite 1200
150 West Jefferson
Detroit, MI 48226-4429

Independent Auditors' Report

To the Honorable Mayor Kwame Kilpatrick
and Members of the City Council
City of Detroit, Michigan:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the School District of the City of Detroit, the Downtown Development Authority, the Economic Development Corporation, the Museum of African American History, the Detroit Transportation Corporation, the Detroit Housing Commission, and the Greater Detroit Resource Recovery Authority, which represent 96.9% and 96.6%, respectively, of the assets and revenues of the discretely presented component units. We also did not audit the financial statements of the Retirement Systems, which represent 95.1% and 36.7%, respectively, of the assets and expenses/expenditures/deductions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units and the aggregate remaining fund information, are based on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The financial statements of the Detroit Housing Commission Component Unit (Housing) have not been audited, and we were not engaged to audit Housing's financial statements as part of our audit of the City's basic financial statements. Housing's financial activities are included in the City's financial statements as a discretely presented component unit and represent 3.1%, 37.8%, and 1.2% of the assets, net assets, and revenues, respectively, of the City's aggregate discretely presented component units.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.



In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had Housing's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for City of Detroit, Michigan as of June 30, 2005, and the changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 26, the budgetary comparison information on pages 113 through 115, and the schedules of employer contributions and the schedules of funding progress on page 117 are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Detroit's basic financial statements. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

Detroit, Michigan
May 13, 2006

**MANAGEMENT'S
DISCUSSION
AND ANALYSIS
(MD & A)**

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As management of the City of Detroit, Michigan (City) we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage the readers to consider the information presented here in conjunction with information that we have furnished in our letter of transmittal, contained within this report.

FISCAL 2005 FINANCIAL HIGHLIGHTS

- The assets of the City, in the government-wide financial statements, exceeded its liabilities at June 30, 2005 by \$1.6 billion (*net assets*). Of this amount, \$306 million is an unrestricted deficit, while \$1.6 billion is invested in capital assets, net of related debt and \$318 million is restricted for specific purposes.
- The City's total net assets decreased by \$114 million over the previous year's net asset of \$1.7 billion.
- The City's total governmental activities' assets increased by \$1.2 billion since June 30, 2004 to \$3.1 billion at June 30, 2005, due mainly from the net pension asset created from the issuance of \$1.4 billion of pension obligation certificates (POCs) and the subsequent contribution to the pension systems. The City's increase in liabilities from \$1.8 billion at June 30, 2004, to \$3.2 billion at June 30, 2005, occurred mostly from the issuance of the \$1.4 billion pension obligation certificates.
- The General Fund Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2005 were \$1.6 billion, a decrease of \$2.6 million (0.16 percent) from 2004.
- The General Fund, also in the fund financial statements, ended 2005 with a total fund deficit of \$33.6 million. Total Fund Balance decreased from 2004 primarily because Expenditures and Other Financing Uses exceeded Revenues and Other Financing Sources by \$87 million. Fund Balance at June 30, 2005 of \$122 million was reserved for commitments. Unreserved Fund Balance was \$155 million deficit at June 30, 2005, compared to a \$95 million deficit at the end of 2004.
- The City's general obligation bonds and notes outstanding increased by \$776 million during the current fiscal year. The key factor in this increase was the issuance of additional general obligation bonds to fund the City's capital plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements. These components are described below:

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, using accounting methods similar to those used by private-sector companies. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting, similar to that used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

- *The statement of net assets* - presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- *The statement of activities* - presents information showing how the City's net assets changed during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation). This statement also presents a comparison between direct expenses and program revenues for each major function of the City.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include public protection, health, recreation and culture, education development, economic development, housing supply and conditions, physical environment, transportation and development and management functions. The business-type activities of the City include an airport, automobile parking, water and sewage disposal operations, and transportation.

The government-wide financial statements reflect not only the activities of the City itself (known as the primary government), but also legally separate organizations and agencies for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found immediately following this management's discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects, and permanent funds). Information for three funds that qualify as major is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances. The three major governmental funds are as follows: the General Fund, the General Retirement System Service Corporation, and the Police and Fire Retirement System Service Corporation. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriation budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found immediately following the government-wide statements.

Proprietary funds

These funds are generally used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds, like government-wide statements, use the accrual basis of accounting and provide both long and short-term financial information. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses five enterprise funds to account for its water, sewer, transportation, parking, and airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewage Disposal Fund, Transportation Fund, Automobile Parking Fund and Airport Fund.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of primary government. The City is trustee, or fiduciary, for its employees' pension plans. It is responsible for other assets that, because of a trust arrangement can be used only for the trust beneficiaries. The City also uses fiduciary funds to account for transactions for assets held

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

by the City as agent for various entities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fiduciary fund financial statements.

Additional Information

The combining statements, which include nonmajor funds, for governmental and trust and agency funds are presented immediately following the notes to the financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1.6 billion at June 30, 2005.

By far the largest portion of the City's net assets reflects its investment in capital assets (land, buildings, roads, bridges, etc.), less any related debt used to acquire those assets that is still outstanding which is \$1.6 billion. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

An additional portion of the City's net assets in the amount of \$318 million represent resources that are subject to external restrictions on how they may be used.

City of Detroit, Michigan
Summary of Net Assets
(in thousands of dollars)

	Governmental Activities			Business-type Activities			Total
	2005	2004	2005	2004	2005	2004	2004
Assets:							
Current and other assets	\$ 1,792,486	\$ 781,052	\$ 1,797,712	\$ 1,384,886	\$ 3,590,198	\$ 2,165,938	
Capital assets	1,403,043	1,194,050	5,105,722	4,593,455	6,506,765	5,787,503	
Total assets	3,195,529	1,975,102	6,903,434	5,978,341	10,096,963	7,953,443	
Liabilities:							
Other liabilities	671,375	481,145	329,035	354,373	1,000,410	943,659	
Long-term liabilities	2,517,648	1,300,802	4,955,402	4,077,927	7,473,055	5,270,593	
Total liabilities	3,189,023	1,781,952	5,284,442	4,432,300	8,473,465	6,214,252	
Net assets:							
Invested in capital assets, net	\$62,312	\$23,119	\$10,443	\$1,063,418	\$1,612,755	\$1,486,537	
Restricted	10,488	85,250	287,779	199,037	318,268	284,287	
Restricted	(586,294)	(315,219)	280,720	283,586	(405,524)	(21,633)	
Total net assets	\$ 6,506	\$ 193,150	\$ 1,618,992	\$ 1,546,041	\$ 1,625,498	\$ 1,739,191	

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

Governmental Activities

Net assets of the City's governmental activities decreased \$187 (97%) to reflect a balance of \$6 million. A significant portion of those net assets are either restricted as to the purpose they can be used for or they are invested in capital assets (buildings, roads, bridges, etc.). Consequently, unrestricted net assets showed a \$586 million deficit at the end of this fiscal year.

The deficit is the result of having long-term commitments that are greater than currently available resources. Specifically, in accordance with its budgetary policies, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from long term commitments. The City will include these amounts in future years' budgets as they come due.

Over 40 % of the City's revenue comes from taxes. Total taxes decreased by 0.5 %. Total taxes include a decrease in property taxes of \$14 million (6 % percent) is primarily due to a flat property tax growth coupled with population decline. Wagering taxes increased by \$22 million (19 %) due to enactment of State of Michigan House Bill 4612 and an increase in activity. The bill was effective September 1, 2004. The bill raised the tax on Detroit's three casinos adjusted gross receipts received to 24 percent from 18 percent. The new additional tax of 6 percent generated roughly \$75 million per year of which one-third is earmarked for the City. Thus, the City's share was \$25 million.

Federal and State grants vary from year to year depending primarily on the level of spending for programs, construction, and other projects.

Expenses for governmental activities in 2005 were \$1.9 billion. This reflects a decrease of \$24 million (1.22 %) over 2004. Public protection (police and fire protection) was the largest component of current expenses, accounting for 45 % of total expenses. Public protection expenses increased \$120 million (16 %) over 2004 due to increased payouts for litigation, workmans compensation and rising health expenses for retired police and fire employees. Development and Management decreased \$136 million (39%) below 2004 as a result of cost reductions and restructuring of related services.

Revenues for governmental activities were \$1.8 billion.

The amount that taxpayers paid for these activities through City taxes was only \$729 million. Other funding for governmental activities was provided from the following sources:

- o User fees were paid by those who directly benefited from certain programs (\$408 million),
- o Other governments and organizations subsidized certain programs with grants and contributions (\$382 million),
- o Other revenues such as state aid, interest, and miscellaneous income funded the "public benefit" portion of various programs (\$315 million)

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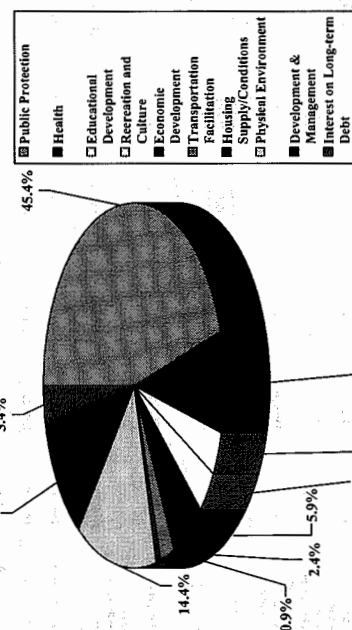
City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

City of Detroit, Michigan
Changes in Net Assets
Years Ended June 30
(in thousands of dollars)

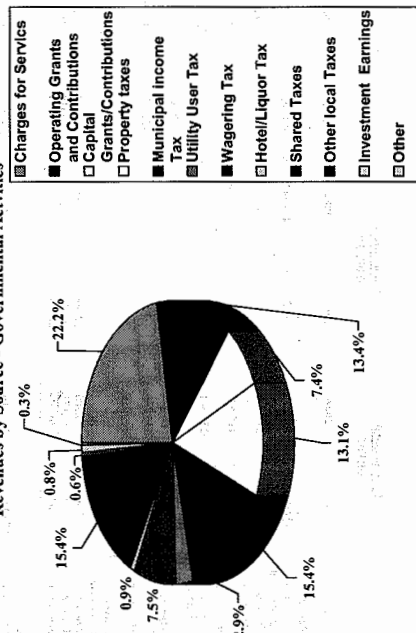
	Governmental Activities		Business-type Activities		Total
	2005	2004	2005	2004	2005
Revenues:					
Program Revenues:					
Charges for Services	\$ 407,969	\$ 318,536	\$ 486,073	\$ 464,344	\$ 894,042
Operating Grants and Contributions	246,249	315,232	88,111	89,345	404,667
Capital Grants and Contributions	135,505	115,529	15,081	33,759	150,586
General Revenues:					
Property Taxes	239,508	253,881	-	-	239,508
Municipal Income Tax	282,502	290,615	-	-	282,502
Utility User Tax	52,940	47,423	-	-	52,940
Wagering Tax	137,970	116,146	-	-	137,970
Hotel and Liquor Tax	16,311	16,317	-	-	16,311
Shared Taxes	282,914	286,479	-	-	282,914
Other Local Taxes	11,713	18,118	-	-	11,713
Investment Earnings	14,465	4,500	22,809	12,516	37,274
Miscellaneous	6,432	13,173	(6,850)	3,813	16,986
Total Revenues	1,834,478	1,959,939	605,224	603,777	2,399,776
Expenses:					
Police Protection	876,157	755,816	-	-	876,157
Health	170,040	172,602	-	-	170,040
Education	73,771	95,655	-	-	73,771
Recreation and Culture	75,145	82,149	-	-	75,145
Economic Development	114,865	102,680	-	-	114,865
Transportation	46,272	49,858	-	-	46,272
Housing Supply and Physical Environment	17,981	21,190	-	-	17,981
Development and Management	277,306	267,233	-	-	277,306
Interest on Long-term Debt	214,747	350,970	-	-	214,747
Debt	65,253	58,080	-	-	65,253
Sewage Disposal	-	192,421	-	-	192,421
Waste Management	-	255,510	-	-	255,510
Water	-	195,086	-	-	195,086
Automobile Parking	-	26,296	-	-	26,296
Airport	-	3,141	-	-	3,141
Total Expenses	1,931,337	1,956,233	621,858	617,442	2,553,395
Decrease in Net Assets before Transfers	(97,859)	(160,294)	(16,634)	(113,693)	(173,960)
Change in Net Assets	(186,644)	(237,027)	72,951	63,443	(173,960)
Net Assets, July 1	193,150	430,572	1,546,041	1,482,592	1,913,150
Net Assets, June 30	6,506	\$ 193,150	\$ 1,618,992	\$ 1,546,041	\$ 1,729,190

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Expenses by Function Type - Governmental Activities



Revenues by Source - Governmental Activities

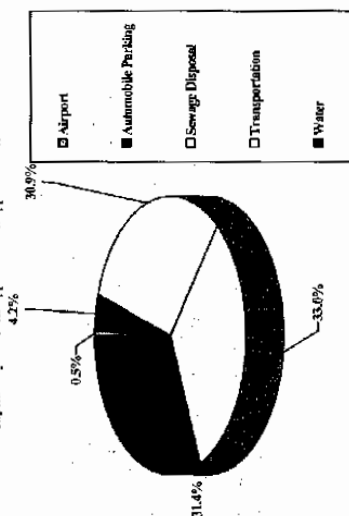


Business-type Activities

Total revenues of the City's business-type activities increased by \$1.4 million in 2005 generally due to higher charges for services revenue.

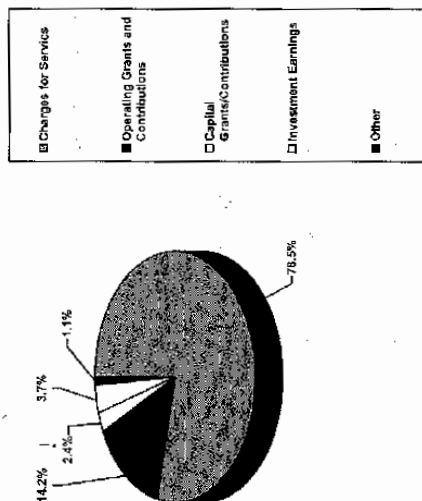
- The Sewage Disposal Fund's operating revenues for 2005 increased by 8.2 % due to an increase in sewage rates. Offsetting the increase in sewer rates was a reclass for this year's bad debt expense, which was charged directly against gross service revenue. However, net sewer revenue still increased over the previous year.
- The Transportation Fund's operating revenues decreased by 7.6 % during fiscal year 2005. Capital contributions in 2005 decreased by 75.8% due to a significant decrease in projects planned for 2004-2005.
- The Water Fund's operating revenues for 2005 increased by 6.4 % due to an increase in water rates. More than offsetting the increase in water rates was reclass for this year's bad debt expense, which was charged directly against gross service revenue.
- The Automobile Parking Fund's operating revenues for 2005 decreased 30 % due to garages not being filled to capacity. Also, the Detroit Red Wings (the local National Hockey League team) did not play during the 2005 season because of the players strike which significantly reduced utilization of municipal parking facilities. Operating expenses in 2005 increased by 22.5 % due to an increase in operating expenses (i.e., expenses associated with salaries and benefits, and contractual services) and depreciation.
- The Coleman A. Young Municipal Airport's operating revenues for 2005 increased 21.4%. Operating expenses in 2005 increased by 22 % percent due to an increase in personnel and related fringe benefits, materials, supplies, and other expenses, and depreciation.

Expenses by Function Type - Business-type Activities



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Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2005, the City's governmental funds reported combined ending fund balances of \$275 million, a decrease of \$113 million in comparison with the prior year. The combined fund balance includes an *unreserved fund deficit* of \$78 million. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$49 million), 2)

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to pay debt service (\$52 million) and 3) for a variety of other restricted purposes (\$252 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance was a \$155 million deficit with a combined (reserved and unreserved) total fund deficit of \$33 million.

The fund deficit of the City's General Fund increased by \$103 million during the current year due to Expenditures and Other Financing Uses exceeded Revenues and Other Financing Sources by \$87 million. As a result of the City's population decline and economic downturn cut into the City's two primary revenue sources: 1) income taxes and 2) state revenue sharing funds are directly connected to the health of the economy. Also, the City continues to experience rising health care costs and pension costs.

With the issuance of the POCs this fiscal year, two Special Revenue Funds, the Detroit General Retirement System Service Corp. (DGRS) and the Detroit Police and Fire Retirement System Service Corp. (DPRFS), were created to account for the proceeds and service payments related to the issuance of the POCs. The DGRS has a total fund balance of \$36.2 million, of which \$23.8 million is reserved for advances and \$12.4 million is reserved for debt service. The DPRFS has a total fund balance of \$10.6 million, which is reserved, for debt service.

The Other Governmental Funds has a total fund balance of \$262 million, of which \$185 million is reserved for advances, inventory, encumbrances, endowments and trusts, debt service, and capital projects, while there was an unreserved, undesignated balance of \$77 million.

Changes in fund balance

The City's governmental fund revenues (excluding other financing sources) decreased by 1.4 percent or \$27 million.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewage Disposal, Transportation, Water, Automobile Parking, and Coleman A. Young Municipal Airport Funds at the end of the year amounted to \$1.6 billion. The total increase in unrestricted net assets related to the \$1 billion of net assets invested in capital assets, net of related debt and the \$288 million of net assets restricted is primarily due to assets being reserved for debt service and a transfer in of governmental-type activities of \$89 million to business-type activities. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's 2005 General Fund Budget is \$1.7 billion. The budget reflects an increase of \$98 million (6%) over the 2004 Budget. The City's 2005 General Fund Budget contains no additions or material changes to existing taxes and fees and was approved by the City Council in June 2004.

The General Fund revenues and expenditures in 2005 ended the current year with an unreserved fund balance deficit of \$155 million, which is a \$60 million increase (63%) over 2004. Within the 2005-2006 adopted budget, the City Council appropriated \$101 million for the prior year deficit.

During the year, the estimated revenues in the budget exceeded actual revenues and other resources by \$216.2 million. The majority of this amount is attributable to actual property taxes, municipal income tax, grant revenues, sales and charges for services, and sale of real property being somewhat less than the final budgets. However, expenditures were less than budgeted estimates. Budgeted expenditures were approximately \$1.7 billion but actual expenditures were \$1.5 billion, a favorable variance of \$200 million.

Differences between the original budget and the final amended budget consisted of a total net increase in estimated revenues of \$161.4 million and a total net increase in appropriations of \$238.7 million. The difference was offset by a total net increase in Other Financing Sources and Uses of \$77 million.

A major reason for the increase in estimated revenues can be briefly summarized as follows:

- \$133.2 million increase in grants (Federal, State and other)
- \$10.9 million increase in sales and charges for services

Some major reasons for the increase in appropriations can be briefly summarized as follows:

- \$68.5 million in increases for the Police department
- \$53 million in increases for the Health department
- \$84.8 million in increases for Sale of General Obligation Bonds

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2005 amount to \$6.5 billion (net of accumulated depreciation). These capital assets include land,

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

buildings and improvements, machinery and equipment, vehicles, park facilities, roads, streets, and bridges.

Major capital projects during the current fiscal year included the following:

- The Recreation department expended \$17 million on capital activities for the construction and improvement of parks, playgrounds, and recreation facilities.
- The Department of Public Works expended \$66 million on capital activities for road paving and resurfacing including the modernization of traffic signals.
- The Police Department expended \$30 million on capital activities for construction of communication center, acquisition of electronic equipment and software, renovation of precincts, and the purchase of police vehicles.
- The Detroit Institute of Arts expended \$35 million on capital activities for expansion and renovation.
- The City expended \$2.5 million to acquire land for the waterfront redevelopment and the casino development project.
- The Fire Department expended \$19 million on capital activities to acquire fire trucks and renovate fire stations.
- The Transportation Department expended \$32 million on capital activities to acquire 102 buses through a capital lease purchase.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

	City of Detroit, Michigan Capital Assets (net of depreciation) (in thousands of dollars)				
	Governmental Activities		Business-type Activities		Total
	2005	2004	2005	2004	2004
Land and Land Rights	\$ 383,014	\$ 335,512	\$ 36,702	\$ 36,702	\$ 419,716
Land and Buildings	506,438	434,835	47,747	43,371	992,214
Building and Structures	-	-	1,539,650	1,058,727	43,371
Sewer and water lines	-	-	900,236	879,131	2,046,078
Machinery, Equipment, Furniture and Vehicles	91,775	80,405	-	-	1,493,562
Works of Art	29,788	29,788	937,817	681,482	879,131
Infrastructure	185,041	140,403	-	-	761,887
Construction-in-Progress	206,997	153,107	1,643,568	1,894,041	29,788
Total	\$ 1,403,043	\$ 1,194,050	\$ 5,105,722	\$ 4,593,454	185,041
					\$ 1,850,565
					\$ 6,508,765
					\$ 5,787,504

Information on the City's capital assets can be found in Note III A 7 to the basic financial statements.

Debt

At the end of the current fiscal year, the City had total long-term obligations of \$ 7.4 billion outstanding. Of this amount, \$931 million are general obligation bonds backed by the full faith and credit of the City and \$ 5.7 billion are revenue bonds, commercial paper, loans, and other obligations of the City's business enterprises. The remainder includes other types of long-term obligations.

In August 2004, the City issued \$41.3 million of General Obligation Unlimited Tax Bonds for capital improvements to various General City Agencies. Approximately \$70.4 million in refunding bonds were issued to refund prior debt. The bonds mature beginning April 1, 2009 with an average yield of 4.22 percent.

In August 2004, the City issued \$62.2 million of Self-Insurance Bonds Limited Tax to fund payment of claims. The bonds mature beginning April 1, 2009 with an average yield of 4 percent.

In January 2005, the City issued \$81 million in General Obligation Unlimited Tax Refunding Bonds to refinance prior debt. The bonds mature beginning April 1, 2006 with an average yield of 4 percent.

In June 2005, the City issued \$87 million of Capital Improvement Limited Tax Bonds to acquire, construct, and equip several 800 MHz radio frequency towers and related communication facilities. In addition, \$11.8 million in refunding bonds were issued to

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

refinance prior debt. The bonds mature beginning April 1, 2006 with an average yield of 4.11 percent.

In June 2005, the Detroit Retirement System Funding Trust (DRSFT) issued \$1,440,000 (\$640 million of taxable fixed rate, Series A and \$800 million of taxable floating rate, Series B) of taxable Pension Obligation Certificates of Participation (POCs). The Trust was created by the General Retirement System Service Corporation (GRSSC) and the Police and Fire Retirement System Service Corporation (PFRSSC), both blended component units of the City. The City entered into service contracts with the GRSSC and the PFRSSC to facilitate the transaction. The POCs represent undivided proportionate interests in the rights to receive the payments from the City under its service contracts with the GRSSC and the PFRSSC.

The POCs were issued for the purpose of providing money to pay down certain unfunded accrued actuarial liabilities (UAAL) of each Retirement System of the City of Detroit: 1) the General Retirement System (GRS) and 2) the Police & Fire Retirement System (PFRS). The UAAL is a liability of the City of Detroit (COD) for past services rendered by its employees that must be paid. Michigan State Law and the Michigan Constitution require the city to annually pay down a portion of this UAAL liability. The GRS also include employees and retirees of certain proprietary funds (i.e., The Department of Transportation (DDOT) and the Department of Water and Sewerage) and The Detroit Public Library, which is a component unit of the city.

The City contributed \$739,793,897 of the proceeds were to the GRS, which included \$52,503,654 of annual required contributions for June 30, 2005. The remaining amount of \$687,290,243 resulted in a net pension asset. \$630,829,188 of the proceeds were contributed to the PFRS, which included \$98,842,261 of annual required contributions for June 30, 2005. The remaining amount of \$531,986,927 resulted in a net pension asset.

Interest payments for Series A will commence on December 15, 2005 and are due semi-annually while the first principal payment is payable June 15, 2007, due annually, and are payable through 2025. Interest payments for Series B will commence on September 15, 2005 and are due quarterly through 2025 while the first principal payment is payable June 15, 2007, due annually, and are payable through 2025. The interest rates on the outstanding obligations range from 4.004% and 4.948

In June 2005, the City issued \$54.4 million in Revenue Anticipation Notes to pay necessary operating expenditures. The notes mature April 2006 with a yield of 2.63 percent.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. Note - the following ratios do not include the Pension Obligation Certificates. A comparison of these indicators follows:

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City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

	FY 2005	FY 2004
Net General Bonded debt	\$1,209,104	\$1,104,034
Net General Bonded debt per capita	\$1,271.05	\$1,211.37
Ratio of net General Bonded debt to net assessed value (50% of present market value)	14.50 %	13.24%
Ratio of debt to present market value	7.25 %	6.62%

The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, ACT 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10% of the assessed value of all the real and personal property in the City; or (b) 15% of the assessed value of all the real and personal property in the City if that portion of the total amount of indebtedness incurred which exceeds 10% is, or has been, used solely for the construction or renovation of hospital facilities. Not all the General Bonded debt is subject to the general debt limitation, which is \$728.2 million. The City's legal debt limitation at June 30, 2005 was \$1.3 billion of which \$582 million is available for use.

The City's ratings on uninsured general obligation bonds as of June 30, 2005 were:

Moody's Investors Service, Inc.	Baa1
Standard and Poor's Corporation	BBB+
Fitch IBCA, Inc.	BBB+

Subsequent to June 30, 2005, the Moody's Investors Service, Inc. reduced the City's uninsured bond ratings to Baa2.

Subsequent to June 30, 2005, the Standard and Poor's Corporation reduced the City's uninsured bond ratings to BBB.

Subsequent to June 30, 2005, the Fitch IBCA, Inc. reduced the City's uninsured bond ratings to BBB.

Additional information on the City's long-term debt can be found in Notes III B 4,5 and 6 to the basic financial statements.

The City's ratings were reduced primarily due to less favorable revenues for Property Taxes and Municipal Income Tax and the City's inability to identify new revenue sources. In addition, the City was under increasing financial pressure due to rising health care and pension costs.

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ECONOMIC FACTORS AND NEXT YEARS BUDGET

The City made several strategic budget cuts in 2005-2006 that did not impact City services:

- The Detroit People Mover subsidy was reduced by \$1.5 million.
- The Zoo subsidy was reduced by \$1.5 million.
- The Center Computing Services Department was eliminated. The function was consolidated with the City's Information Technology Services Department to increase efficiency for agencies.
- The Department of Culture, Arts & Tourism was eliminated. The function (including Eastern Market and arts grants management) was consolidated with the Recreation Department.
- The City eliminated 205 take home vehicles (62 general, 43 executive, and 100 police). The vehicles are to be sold at auction for projected proceeds of \$1.3 million.
- The City initiated a 10 percent reduction in non-union and appointees salary.

The City is currently experiencing a less favorable economic environment resulting from the continued decline in the manufacturing sector of the economy, partially offset by modest increases in leisure and hospitality, professional and business services, educational and health services, and construction. Detroit's unemployment rate decreased from 15.1 percent in June 2004 to 14.8 percent by June 2005. As of November 2005, the rate had decreased to 13.3 percent.

The 2005-06 Budget has 2,992 fewer positions including layoffs:

Description	FY 2005-2006	FY 2004-2005	Variance
General City	10,203	12,668	2,465
Enterprise Agencies	5,348	6,075	527
Total Budgeted Positions	15,751	18,743	2,992

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Detroit Finance Department, Coleman A. Young Municipal Center, Suite 801, 2 Woodward Avenue, Detroit, Michigan 48226.

**BASIC
FINANCIAL
STATEMENTS
(BFS)**

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City of Detroit, Michigan
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Primary Government Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 50,307,208	\$ 2,208,061	\$ 52,515,269	\$ 7,040,534
Investments.....	265,697,802	60,216,610	325,914,412	220,945,055
Escrow Deposits.....	-	-	-	16,888,051
Accounts and Contracts Receivable:				
Internal Balances.....	(40,465,211)	40,465,211	-	16,763,769
Due from Primary Government.....	5,035,254	-	5,035,254	-
Due from Other Governmental Agencies.....	200,132,033	7,311,200	207,443,233	274,715,217
Other Receivables - Net.....	64,005,862	171,192,549	235,202,411	181,454,081
Total Accounts and Contracts Receivable - Net.....	228,707,938	218,972,960	447,680,898	472,933,067
Inventories.....	22,102,413	24,423,946	46,526,359	8,885,441
Prepaid Expenses.....	127,636	1,418,433	1,546,069	3,351,895
Total Unrestricted Assets.....	566,942,997	307,240,010	874,183,007	729,444,043
Restricted Assets:				
Cash and Cash Equivalents.....	88,805,837	48,602,256	137,408,093	24,633,915
Investments.....	45,599,567	687,583,173	733,182,740	446,073,664
Total Restricted Assets.....	134,405,404	736,185,429	870,590,833	470,707,579
Total Current Assets.....	701,348,401	1,043,425,439	1,744,773,840	1,200,351,622
Non-Current Assets:				
Restricted Investments.....	-	376,045,765	376,045,765	-
Long-Term Receivable.....	-	44,946,430	44,946,430	-
Loans and Notes Receivable.....	-	-	-	26,010,604
Net Pension Asset.....	1,011,722,816	256,308,295	1,268,031,111	22,653,538
Bonds, Notes and POC Issuance Costs.....	55,581,562	76,336,302	131,917,864	4,442,547
Advance to Component Unit.....	23,819,934	-	23,819,934	-
Deferred Charges.....	-	-	-	1,929,376
Capital Assets:				
Non-Depreciable.....	619,799,106	1,680,270,437	2,300,069,543	564,320,508
Depreciable, Net.....	783,243,729	3,425,451,196	4,208,694,925	1,540,535,308
Total Capital Assets, Net.....	1,403,042,835	5,105,721,633	6,508,764,468	2,104,855,816
Other Assets.....	14,014	650,000	664,014	11,307,571
Total Non-Current Assets.....	2,494,181,161	5,860,008,425	8,354,189,586	2,171,099,452
Total Assets.....	3,195,529,562	6,903,433,864	10,098,963,426	3,372,051,074

The accompanying notes are an integral part of the financial statements.

	Governmental Activities	Primary Government Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts and Contracts Payable.....	\$ 175,494,769	\$ 38,831,271	\$ 214,326,040	\$ 162,028,841
Due to Other Governmental Agencies.....	44,834,866	-	44,834,866	-
Due to Primary Government.....	-	1,764,760	1,764,760	5,035,256
Due to Component Units.....	14,999,010	95,324	15,094,334	-
Deposits and Refunds.....	29,153,581	78,671,369	107,824,950	23,365,150
Accrued Interest Payable.....	16,226,059	-	16,226,059	334,229
Loans and Advances from Primary Government.....	-	-	-	99,584,154
Accrued Salaries and Wages.....	47,996,848	6,567,446	54,564,294	22,553,351
Deferred Revenue.....	8,475,533	3,821,205	12,296,738	16,081,657
Other Current Liabilities.....	61,598,795	12,056,140	73,654,935	-
Restricted Liabilities:				
Accounts Payable.....	2,323,943	82,621,279	84,945,222	-
Accrued Public Liability and Worker's Compensation.....	17,115,917	-	17,115,917	-
Other Liabilities.....	723,944	718,363	1,442,307	-
Total Restricted Liabilities.....	20,163,804	83,339,642	103,503,446	283,463,363
Bonds, Notes and Other Debt Payable - Current.....	140,031,083	81,245,000	221,276,083	6,750,759
Accrued Compensated Absences.....	112,401,028	17,262,561	129,663,589	16,743,169
Accrued Public Liability and Workers' Compensation.....	-	5,370,974	5,370,974	-
Total Current Liabilities.....	671,375,376	329,034,692	1,000,410,068	635,931,939
Long-Term Liabilities:				
Bonds, Notes and Other Debt Payable.....	1,090,408,971	4,654,089,820	5,744,498,791	2,277,840,783
Unamortized Premium/(Discount) and Loss (Gain) on Refinancings.....	31,508,983	(48,239,486)	(16,730,503)	29,990,243
Bonds, Notes and Other Debt Payable - Net.....	1,121,917,954	4,605,850,334	5,727,768,288	2,307,831,026
Pension Obligation Certificates Payable.....	1,170,607,422	269,399,578	1,440,000,000	-
Deferred Swap Termination Fee.....	-	19,084,051	19,084,051	-
Advance Payable to Primary Government.....	-	-	-	23,819,934
Accrued Compensated Absences.....	44,597,266	19,796,809	64,394,075	117,897,488
Accrued Public Liability and Workers' Compensation.....	180,525,495	23,100,987	203,626,482	25,342,576
Other Long-Term Obligations.....	-	18,182,314	18,182,314	-
Total Long-Term Liabilities.....	2,517,648,137	4,955,407,073	7,473,055,210	2,474,891,024
Total Liabilities.....	3,189,023,513	5,284,441,765	8,473,465,278	3,110,822,963
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	562,311,648	1,050,443,297	1,612,754,945	531,905,048
Restricted for:				
Endowments and Trusts (Non-Expendable).....	1,253,623	-	1,253,623	15,913,126
Capital Projects.....	-	-	-	39,196,460
Debt Service.....	29,234,972	287,778,927	317,013,899	(21,944,952)
Unrestricted (Deficit).....	(586,294,194)	280,769,875	(305,524,319)	(303,841,561)
Total Net Assets.....	\$ 6,506,049	\$ 1,618,992,099	\$ 1,625,498,148	\$ 261,228,121

City of Detroit
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Component Units
Primary Government:						
Governmental Activities:						
Public Protection	\$ 876,156,606	\$ 90,825,019	\$ 418,374	\$ (784,913,213)	\$ -	\$ -
Health	170,039,930	13,026,677	133,521,803	(23,491,450)	(23,491,450)	(23,491,450)
Recreation and Culture	75,145,276	11,474,294	1,373,670	(62,297,312)	-	-
Economic Development	114,865,586	5,427,118	11,464,565	(38,188,622)	-	-
Education	73,770,757	73,837,899	59,785,381	67,142	67,142	67,142
Housing Supply and Conditions	17,980,767	6,700,117	1,148,369	(4,336,356)	-	-
Physical Environment	277,305,834	81,944,899	5,795,925	(192,330,882)	-	-
Transportation	46,272,594	130,053	-	38,298,505	38,298,505	38,298,505
Development and Management	214,746,647	19,706,576	74,571,099	3,530,613	-	-
Interest on Long-Term Debt	65,252,896	-	-	(65,252,896)	-	-
Total Governmental Activities	1,931,536,893	246,348,865	135,504,749	(1,141,814,470)	-	(1,141,814,470)
Business-type Activities:						
Sewage Disposal	192,421,480	254,350,136	-	61,928,656	61,928,656	61,928,656
Transportation	204,913,780	22,959,490	7,120,491	(86,723,196)	(86,723,196)	(86,723,196)
Water	192,085,657	193,954,987	6,938,882	5,808,212	5,808,212	5,808,212
Automobile Parking	26,295,677	13,627,650	-	(12,668,027)	(12,668,027)	(12,668,027)
Airport	3,140,746	1,180,584	1,021,347	(938,815)	(938,815)	(938,815)
Total Business-type Activities	621,857,340	486,072,847	15,080,720	(32,593,170)	(32,593,170)	(32,593,170)
Total Primary Government	\$ 2,553,394,233	\$ 894,041,655	\$ 150,585,469	\$ (1,141,814,470)	\$ (32,593,170)	\$ (1,174,407,640)
Component units:						
Brownfield Redevelopment Authority	\$ 276,975	\$ 225,000	\$ 154,341	\$ -	\$ -	\$ 102,366
Detroit Public Library	35,649,358	267,492	5,387,912	-	-	(39,993,954)
Downtown Development Authority	45,468,902	9,311,503	-	-	-	(36,156,999)
Economic Development Corporation	7,959,886	12,289,457	-	-	-	4,329,571
Detroit Housing Commission	20,691,453	4,622,167	-	-	-	1,532,382
Local Development Finance Authority	7,014,382	17,601,668	-	-	-	(7,014,382)
Museum of African American History	9,832,615	1,609,275	-	-	-	(3,904,917)
Detroit Public Schools	1,676,862,532	4,718,423	-	-	-	(1,345,551,449)
Tax Increment Finance Authority	11,210,975	533,566,746	-	-	-	(11,210,975)
Detroit Transportation Corporation	18,317,364	11,694,950	-	-	-	(6,178,745)
Greater Detroit Resource Recovery Authority	46,176,830	67,693,792	-	-	-	92,066
Total Component units	\$ 1,947,062,498	\$ 83,989,730	\$ -	\$ -	\$ -	\$ (1,222,554,936)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes				\$ 179,694,260	\$ -	\$ 155,300,085
Property taxes, levied for debt service				59,813,679	-	99,454,576
Municipal income tax				282,501,875	-	-
Utility Users tax				52,939,839	-	-
Wagering tax				137,970,347	-	-
Held and Liquor tax				16,310,767	-	-
Other taxes				-	-	(12,938,065)
Shurco taxes				282,914,217	-	853,218,402
Interest and Penalty on taxes				11,712,960	-	530,459
Investment earnings				14,464,802	22,808,775	17,175,813
Miscellaneous revenue (expense)				9,984,374	(6,850,110)	12,102,451
Loss on disposal of capital assets				(3,531,006)	-	-
Transfers				(89,285,309)	89,585,306	-
Total general revenues, and transfers				1,060,714,269	105,543,971	1,150,208,811
Change in net assets				(18,604,493)	72,950,401	(71,845,125)
Net assets - beginning, as Restated				192,148,241	1,546,041,988	333,073,346
Net assets - ending				\$ 6,506,049	\$ 1,618,992,389	\$ 261,228,121

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Other Governmental Funds	Total
ASSETS					
Cash and Cash Equivalents	\$ 27,422,973	\$ -	\$ -	\$ 22,864,135	\$ 50,287,108
Investments	38,688,891	-	-	227,006,911	265,695,802
Accounts and Contracts Receivable					
Due from Other Funds	33,125,486	-	-	6,879,195	40,004,681
Due from Other Governmental Agencies	4,013,236	-	-	-	4,013,236
Due from Component Units	5,035,254	-	-	-	5,035,254
Due from Other Governmental Agencies	169,596,534	-	-	30,535,561	200,132,095
Estimated Unbilled Income Taxes Receivable	28,391,590	-	-	-	28,391,590
Utility User Taxes Receivable	58,893,679	-	-	-	58,893,679
Prepaid Expenses	4,972,578	-	-	20,478,237	25,450,815
Land Contracts Receivable	-	-	-	-	-
Income Tax Assessments	38,617,652	-	-	347,225	38,964,877
Special Assessments	25,897,431	-	-	2,759,750	28,657,181
Interest and Penalties	5,465,000	-	-	1,336,023	6,801,023
Other Assets	2,174,330	-	-	61,231,582	63,405,912
Total Assets and Contracts Receivable	(126,511,870)	-	-	(17,691,532)	(144,203,402)
Allowance for Uncollectible Accounts	284,787,681	-	-	41,161,150	325,948,831
Total Accounts and Contracts Receivable - Net	158,275,811	-	-	23,469,618	181,745,429
Inventory-Fertilized Property	-	-	-	293,305	293,305
Prepaid Expenses	-	-	-	21,851,535	21,851,535
Working Capital Advances to Other Funds	12,692,905	-	-	127,635	12,820,540
Deferred Assets					
Due from Other Funds	2,242,710	12,422,645	10,692,304	63,546,649	88,804,308
Due from Other Governmental Agencies	15,309,675	26,854	22,598	-	15,339,027
Total Deferred Assets	17,552,385	12,449,499	10,714,902	63,546,649	44,263,435
Advances to Component Units	65,102,240	-	-	-	65,102,240
Other Advances	5,000	-	-	-	5,000
Total Assets	\$ 427,883,134	\$ 36,268,833	\$ 10,615,292	\$ 358,037,254	\$ 832,804,313

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Other Governmental Funds	Total
LIABILITIES					
Accounts and Contracts Payable	\$ 11,716,789	\$ -	\$ -	\$ 43,353,996	\$ 55,070,785
Due to Other Funds	96,465,875	-	-	16,414,741	112,880,616
Due to Fiduciary Funds	71,335,032	-	-	-	71,335,032
Loans and Other Advances from Other Funds	24,686,649	-	-	996,674	25,683,323
Due to Other Governmental Agencies	14,990,810	-	-	5,361,171	20,351,981
Accrued Salaries and Wages	24,059,537	-	-	1,977,814	26,037,351
Fringe Benefits Payable	8,699,667	-	-	-	8,699,667
Payroll Deductions Payable	13,908,830	-	-	-	13,908,830
Accrued Compensated Absences	1,385,115	-	-	-	1,385,115
Accrued Vacation Pay	10,142,449	-	-	-	10,142,449
Disputes from Vendor and Customer	16,153,494	-	-	2,847,640	19,001,134
Accrued Liabilities	35,522,203	-	-	13,564,749	49,086,952
Revenue Anticipation Notes Payable	54,445,000	-	-	-	54,445,000
Other Liabilities	59,921,572	-	-	1,671,223	61,592,795
Liabilities from Restricted Assets					
Accounts and Contracts Payable	2,323,943	-	-	-	2,323,943
Accrued Public Liability	5,035,133	-	-	-	5,035,133
Accrued Workers' Compensation Payable	2,013,464	-	-	-	2,013,464
Due to Other Funds	486,184	-	-	-	486,184
Other Liabilities	10,525,268	-	-	-	10,525,268
Total Liabilities Payable from Restricted Assets	14,275,679	-	-	9,979,270	24,254,949
Deferred Revenue	461,477,568	-	-	95,666,378	557,143,946
FUND BALANCES					
Reserved for Advances to Component Units	23,819,324	-	-	-	23,819,324
Reserved for Encumbrances	35,336,469	-	-	978,083	36,314,552
Reserved for Short-Term Loans and Advances to Other Funds	12,699,231	-	-	14,015,549	26,714,780
Reserved for Risk Management Operations	25,169,120	-	-	-	25,169,120
Reserved for Motor Vehicle Operations	21,430,431	-	-	-	21,430,431
Reserved for Capital Projects	-	12,448,899	10,615,292	-	23,064,191
Reserved for Debt Service	-	-	10,615,292	-	10,615,292
Total Reserved Fund Balances	121,869,601	36,268,833	10,615,292	185,074,541	273,828,327
Unreserved Fund Balance (Deficit):					
Unassigned Fund Balance	(155,404,035)	-	-	-	(155,404,035)
Assigned Fund Balance	(155,404,035)	-	-	-	(155,404,035)
Special Revenue Funds	36,268,833	-	-	-	36,268,833
Total Fund Balance (Deficit)	(174,538,267)	-	-	-	(174,538,267)
Other Credits	427,883,134	36,268,833	10,615,292	358,037,254	832,804,313
Total Liabilities and Fund Balances	\$ 427,883,134	\$ 36,268,833	\$ 10,615,292	\$ 358,037,254	\$ 832,804,313

City of Detroit, Michigan
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
 June 30, 2005

Fund balances - total governmental funds	\$	275,260,877
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund		
Governmental capital asset	\$	2,656,306,017
Less accumulated depreciation	(1,253,263,182)	
	\$	1,403,042,835
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund		
Bond and Pension Obligation Certificate issuance costs	\$	72,060,986
Less accumulated amortization	(16,479,424)	
	\$	55,581,562
Receivables applicable to governmental activities are not due and collectible in the current period and therefore are deferred in governmental funds		
Issuance of Pension Obligation Certificates created a Net Pension Asset:		
Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental fund		
Governmental long term debt payable	\$	(1,175,995,054)
Pension Obligation Certificates Payable	(1,170,607,422)	
Bond Premium	(32,426,664)	
Loss on advance refunding	917,681	
Grant Audit Amount Due to Other Governments	(14,236,946)	
Accrued interest payable	(16,226,059)	
Compensated absences	(155,712,178)	
Public Liability and Workers Compensation	(190,592,815)	
	\$	(2,754,879,457)
Net assets of governmental activities	\$	6,506,049

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2005

	General Fund	General Retirement System Corporation	Police and Fire Retirement System Corporation	Other Governmental Funds	Total
REVENUES:					
Taxes:					
Municipal Income Tax	\$ 178,957,403	\$ -	\$ -	\$ 59,813,679	\$ 238,771,142
Utility Users' Tax	282,581,875	-	-	-	282,581,875
Sales Tax	51,939,839	-	-	-	51,939,839
Gas Tax	17,979,347	-	-	-	17,979,347
Other Taxes and Assessments	16,962,886	-	-	63,776,425	81,744,455
State Bond and Liquor Tax	-	-	-	2,692,332	2,692,332
State and Local Tax	282,514,117	-	-	16,316,787	298,830,904
Shared Taxes-Liquor and Beer Licenses	602,485	-	-	-	602,485
Interest and Franchise on Taxes	11,491,470	-	-	23,845,463	35,336,933
Licenses, Permits and Inspection Charge	11,681,655	-	-	-	11,681,655
Income	26,522,897	-	-	249,849,587	276,372,474
Federal	23,511,241	-	-	13,556,134	37,067,375
State	18,909,340	-	-	-	18,909,340
Sales and Charge for Services	178,079,240	-	-	-	178,079,240
Ordinance Fines	23,732,726	-	-	5,185,630	28,918,356
Revenue from Use of Assets	1,600,000	-	-	4,897,916	6,497,916
Rents	2,386,453	-	-	11,999,134	14,385,587
Other Revenue	100,124,095	62,217	22,898	11,999,134	131,657,892
Total Revenue	1,357,023,161	62,217	22,898	482,786,803	1,842,895,079
EXPENDITURES:					
Current:					
Public Protection	716,227,817	37,865,567	630,825,188	38,159,175	1,423,081,547
Police and Fire	31,760,862	81,761,252	-	81,761,252	195,283,366
Recreation and Culture	67,498,395	31,797,784	-	-	99,296,179
Economic Development	33,541,123	3,016,981	-	73,103,489	99,662,593
Educational Development	2,421,113	-	-	-	2,421,113
Physical Development	12,486,971	-	-	3,796,899	16,283,870
Physical Environment	256,619,913	45,184,714	-	-	301,804,627
Transportation Facilities	-	-	-	46,272,594	46,272,594
Development and Management	397,806,276	297,540,121	-	-	695,346,397
Debt	-	-	-	-	-
Principal	-	-	-	73,544,336	73,544,336
Interest	-	-	-	51,462,415	51,462,415
Bond Insurance Costs	5,192,701	-	-	2,999,818	8,192,519
Capital Outlay	124,712,800	15,431,600	21,334,326	-	161,478,726
Total Expenditures	1,497,451,332	471,648,997	655,167,512	157,932,608	2,722,200,449
Other Financing Sources (Under) Expenditures	(1,497,451,332)	(471,648,997)	(655,167,512)	(157,932,608)	(2,722,200,449)
OTHER FINANCING SOURCES (USES):					
Transfers In	33,851,546	507,843,513	662,759,906	108,024,243	1,412,479,208
Transfers Out	-	-	-	7,789,000	7,789,000
Proceeds of Section 109 Federal Note	315,351	-	-	-	315,351
Proceeds of Capital Lease	242,150,009	-	-	111,686,606	353,836,615
Proceeds from Debt Issuance	5,974,631	-	-	1,039,643	7,014,274
Loss	-	-	-	-	-
Discount on Pension Obligation Certificates	-	-	-	94,610,642	94,610,642
Transfers Out - Bond Agent for Refunded Bonds	194,451,653	-	-	-	194,451,653
Transfers Out - Bond Agent for Refunded Bonds	194,451,653	-	-	-	194,451,653
Interest Paid to Bond Agent for Refunded Bonds	4,213,845	-	-	-	4,213,845
Total Other Financing Sources (Uses)	477,868,311	507,843,513	662,759,906	84,711,486	1,633,273,216
Net Change in Fund Balance	(87,441,340)	36,268,333	10,615,392	31,665,570	(19,502,045)
Fund Balance at Beginning of Year	(155,592,815)	-	-	65,578	(155,592,815)
Fund Balance at End of Year	(190,592,815)	36,268,333	10,615,392	97,244,148	(155,592,815)

City of Detroit, Michigan
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Change in fund balances - total governmental funds		\$	(97,149,377)
Amounts reported for governmental activities in the statement of fund balances are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.			
Expenditures for capital assets	\$	283,545,708	
Less current year depreciation		(70,001,633)	
			213,544,066
Gain on sale of capital assets is reported in the statement of activities, whereas in the governmental funds, the gain from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the net amount of assets sold.			(3,551,016)
Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds.			959,287
Some expenditures reported in governmental funds are to be allocated on a long-term basis and therefore are not reported as expenses in the statement of activities.			(15,454,431)
Inventory			335,314,136
Repayment of bond principal and other debt is an expenditure in the governmental funds, but the repayment reflects long-term liabilities in the statement of net assets.			(374,949,029)
Bond and note proceeds and provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The amount represents the proceeds received net of bond issuance cost and premiums that must be amortized over the life of the bond.			(1,170,607,422)
Pension Obligation Certificates provide current financial resources to governmental funds, but issuing POC's increases long-term liabilities in the statement of net assets. The amount represents the proceeds received net of certificate issuance cost and premiums that must be amortized over the life of the certificates.			1,011,212,816
Payments to The Pension Systems created a Net Pension Asset:			
Some expenses recorded in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:			
Increase in Bond and POC Issuance Cost		14,262,505	
Increase in accrued interest expense on governmental debt		(1,254,187)	
Increase in accrued interest on POC's		(1,670,874)	
Increase in accrued compensated absences		(33,947,268)	
Increase in accrued public liability and workers compensation		(12,107,879)	
Amortization of current year bond premium and defeasance		4,131,498	
Amortization of current year bond cost		(2,905,190)	
			14,492,665
Change in net assets of governmental activities	\$		(156,642,462)

The accompanying notes are an integral part of the financial statements.

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City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

ASSETS

Current Assets:
Cash and Cash Equivalents.....
Investments.....
Accounts and Contracts Receivable:
Due from Other Funds.....
Due from Other Governmental Agencies.....
Other Receivables- Trade.....
Total Accounts and Contracts Receivable.....
Allowance for Uncollectible Accounts.....
Total Accounts and Contracts Receivable - Net.....
Inventories.....
Prepaid Expenses.....
Restricted Cash and Cash Equivalents.....
Restricted Investments.....
Restricted Due from Other Funds.....
Total Current Assets.....

Noncurrent Assets:
Restricted:
Investments.....
Capital Assets:
Land.....
Land Improvements.....
Buildings and Structures.....
Water and Sewer Lines.....
Equipment, Machinery, and Fixtures.....
Vehicles and Buses.....
Construction Work in Progress.....
Total Capital Assets.....
Less: Accumulated Depreciation.....
Net Capital Assets.....
Total Restricted Noncurrent Assets.....

Other Long-Term Assets:
Long-Term Receivable.....
Bond and Pension Obligation Certificate Issuance Costs.....
Net Pension Asset.....
Other Assets.....
Total Noncurrent Assets.....
Total Assets.....

(Continued)

Business-Type Activities

BUSINESS-TYPE ACTIVITIES				
	Water Fund	Automobile Parking Fund	Non-Major Fund	Total
\$	\$	\$	\$	\$
870,259	331,775	892,458	2,208,061	
7,520,716	5,242		60,216,610	
53,149,298	389,636	1,430,941	122,118,385	
		13,350	7,311,200	
105,859,302	342,165	1,000,408	273,335,803	
159,008,600	731,801	2,444,699	402,765,388	
(36,887,901)		(385,482)	(102,139,254)	
122,120,699	731,801	2,059,217	300,626,134	
6,330,165			24,423,946	
568,211	381,923	86,452	1,418,433	
25,052,140			48,602,256	
412,158,669			687,583,173	
40,475,299			78,113,848	
615,096,458	1,450,741	3,038,127	1,203,192,461	
30,072,332	37,202,926		376,045,765	
6,527,438	7,014,113	5,169,374	36,702,250	
103,323,777	214,908	8,020,718	111,559,403	
707,846,651	207,288,512	5,853,773	2,134,814,113	
714,856,603			1,257,626,292	
630,635,010	2,391,206	1,770,642	1,393,559,341	
		1,576,778	168,413,840	
418,072,160	504,183		1,643,568,187	
2,381,216,639	217,412,922	22,391,285	6,746,243,426	
(688,863,364)	(114,187,803)	(12,497,851)	(1,640,521,793)	
1,892,353,275	103,225,119	9,893,434	5,105,771,633	
1,922,425,097	140,428,045	9,893,434	5,481,767,398	
			44,946,430	
			76,336,302	
			256,308,295	
			650,000	
2,110,121,771	140,428,045	9,893,434	5,860,008,425	
2,725,218,229	141,878,786	12,931,561	7,063,200,886	
\$	\$	\$	\$	

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005 (Continued)

LIABILITIES AND NET ASSETS

Liabilities:	
Current Liabilities:	
Book Cash Overdraft	758,762
Accounts and Contracts Payable	10,332,683
Due to Other Funds	7,083,870
Due to Fiduciary Funds	10,949,562
Due to Component Units	262,382
Refundable Deposits	1,764,760
Accrued Salaries and Wages	2,601,179
Accrued Compensated Absences	3,039,331
Accrued Public Liability and Workers Compensation	992,272
Other Liabilities	5,693,347
Bonds and Notes Payable	50,035,000
Accrued Interest on Bonds and Notes Payable	38,654,433
Restricted Accounts and Contracts Payable	62,465,874
Restricted Due to Other Funds	11,074,002
Restricted Other Liabilities	89,017
Deferred Revenue	117,630
Total Current Liabilities	33,109,376
Noncurrent Liabilities:	
Bonds and Notes Payable	2,603,791,572
Unamortized Discount and Gain on Refuse	5,212,683
Bonds and Notes Payable - Net	2,609,004,255
Deferred Swap Termination Fees	2,286,256
Accrued Compensated Absences	8,361,795
Accrued Public Liability and Workers Compensation	3,832,814
Advance from Other Funds	10,447,231
Pension Obligation Certificates Payable	8,760,811
Other Long Term Liabilities	11,037,009
Total Noncurrent Liabilities	2,659,300,396
Total Liabilities	2,876,968,741
Net Assets:	
Invested in Capital Assets, Net of Related Debt	646,008,681
Restricted for Debt Service	166,369,102
Unrestricted (Deficit)	206,511,780
Total Net Assets	1,019,889,563

The accompanying notes are an integral part of the financial statements.

Business-Type Activities

	Water Fund	Automobile Parking Fund	Non-Major Fund	Total
16,543,893	3,117,197	-	-	758,762
65,882,639	565,470	141,486	-	37,810,129
-	-	211,202	-	130,480,213
-	-	-	-	262,382
-	-	-	-	1,764,760
-	-	95,324	-	95,324
2,171,724	123,101	42,290	-	6,567,446
8,604,763	251,636	62,456	-	17,514,197
3,470,751	-	21,796	-	5,379,974
3,053,509	-	93,342	-	11,418,006
24,595,000	6,615,000	-	-	81,245,000
38,521,332	905,717	-	-	78,824,633
20,117,305	-	38,100	-	82,621,279
6,515,574	-	-	-	17,589,576
629,346	-	-	-	718,363
-	3,702,050	1,525	-	3,821,205
190,105,836	15,280,171	707,521	-	476,871,249
1,967,020,000	54,230,000	-	-	4,654,574,690
(51,725,021)	(1,726,548)	-	-	(48,239,486)
1,915,294,379	52,503,452	-	-	4,606,335,204
16,797,795	307,555	-	-	19,084,051
9,808,209	307,081	307,081	-	19,545,173
15,240,595	-	58,490	-	23,100,987
-	1,250,000	-	-	11,697,231
157,548,214	-	-	-	269,392,578
-	90,840	-	-	18,182,314
2,114,689,892	54,151,847	365,571	-	4,967,337,538
2,304,795,728	69,432,018	1,073,092	-	5,444,208,787
204,520,234	68,533,638	9,893,434	-	1,050,443,297
121,409,825	-	-	-	287,778,927
94,492,442	3,913,130	1,965,035	-	280,769,875
\$ 420,422,501	\$ 72,446,768	\$ 11,858,469	\$ -	\$ 1,618,992,099

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Sewage Disposal Fund	Transportation Fund	Water Fund	Automobile Parking Fund	Non-Major Fund	Total
Operating Revenues:						
Sales and Charges for Services.....	\$ 310,491,707	\$ 22,959,490	\$ 258,971,833	\$ 13,627,651	\$ 98,801	\$ 592,521,831
Rentals, Fees and Surcharges.....	281,062	-	-	-	1,006,314	14,915,027
Miscellaneous.....	2,815,506	-	1,641,252	-	75,552	4,532,310
Total Operating Revenues.....	313,588,275	22,959,490	260,613,085	13,627,651	1,180,667	611,969,168
Operating Expenses:						
Salaries, Wages and Benefits.....	37,441,707	121,359,201	48,753,131	5,550,516	1,472,526	214,577,081
Contractual Services.....	-	26,046,086	-	6,293,134	-	32,339,220
Operating.....	113,609,989	-	105,956,032	2,933,107	780,166	223,279,294
Repairs and Maintenance.....	12,348,658	-	-	1,196,435	214,121	13,759,214
Materials, Supplies and Other Expenses.....	-	40,757,327	2,244,535	32,200	280,929	43,314,991
Depreciation and Amortization.....	44,053,316	16,919,222	41,529,608	6,287,158	393,089	109,182,393
Total Operating Expenses.....	207,453,670	205,081,836	198,483,306	22,292,550	3,140,831	636,452,193
Total Operating Income (Loss).....	106,134,605	(182,122,346)	62,129,779	(8,664,899)	(1,960,164)	(24,483,025)
Non-Operating Revenues (Expenses):						
Earnings on Investments.....	14,930,952	296,527	7,175,672	405,624	-	22,808,775
Grants-Federal.....	-	3,226,017	-	-	1,021,349	4,247,366
Contributions.....	-	72,670,780	-	-	-	72,670,780
Amortization of Bond Premium.....	-	-	-	181,992	-	181,992
Interest on Bonds and Notes Payable.....	(44,205,957)	(589,887)	(63,260,449)	(4,185,120)	-	(112,241,413)
Other Revenue.....	(7,038)	-	(62,246)	-	-	(62,246)
Other Expenses.....	(29,282,043)	-	-	6,190,931	-	6,183,893
Total Non-Operating Revenues (Expenses).....	76,852,562	75,603,437	(56,147,023)	2,593,427	1,021,349	(6,210,853)
Net Income (Loss) Before Contributions and Transfers.....	76,852,562	(106,518,909)	5,982,756	(6,071,472)	(938,815)	(30,693,878)
Capital Contributions.....	-	7,120,491	6,938,882	-	-	14,059,373
Transfers In.....	-	77,441,898	-	9,575,006	2,568,402	89,585,306
Increase (Decrease) in Net Assets.....	76,852,562	(21,956,520)	12,921,638	3,593,534	1,629,587	72,950,801
Net Assets - Beginning of Year.....	942,837,001	116,531,318	407,500,863	68,943,234	10,228,882	1,546,041,298
Net Assets - End of Year.....	\$ 1,019,689,563	\$ 94,574,798	\$ 420,422,501	\$ 72,446,768	\$ 11,858,469	\$ 1,618,992,099

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Sewage Disposal Fund	Transportation Fund	Business-Type Activities	Water Fund	Automobile Parking Fund	Non-Major Fund	Total
Cash Flows from Operations:							
Receipts from Customers.....	\$ 326,617,651	\$ 22,665,516		\$ 260,740,367	\$ 14,383,275	\$ 614,205	\$ 625,021,014
Advances from Other Funds.....	-	-		-	1,310,000	-	1,310,000
Repayments from Other Funds.....	-	-		-	389,962	-	389,962
Loans to Other Funds.....	(18,598,461)	-		(28,698,398)	934,068	-	(46,362,791)
Deposits Refunded to Customers.....	-	-		-	-	2,257	2,257
Payments to Suppliers.....	(124,639,909)	(23,458,578)		(115,305,031)	(6,499,865)	(1,785,571)	(271,688,954)
Payments to Employees.....	(76,204,271)	(221,025,500)		(204,140,836)	(5,067,693)	(1,583,127)	(608,021,572)
Net Cash Provided by (Used in) Operating Activities.....	107,174,910	(221,818,562)		(67,403,898)	5,449,747	(2,752,236)	(199,350,039)
Cash Flows from Non-Capital Financing Activities:							
Proceeds from Pension Obligation Certificates.....	8,760,811	103,083,533		157,548,214	-	-	269,392,558
Insurance Costs - Pension Obligation Certificates.....	(286,646)	(3,572,800)		(5,154,834)	-	-	(8,814,280)
Bank Overdraft.....	758,762	-		-	-	-	758,762
Grants and Contributions From Other Governments.....	-	75,896,797		-	-	1,021,349	76,918,146
Transfers from Other Funds.....	-	76,943,880		-	9,575,006	2,568,402	89,087,288
Net Cash Provided by Non-Capital Financing Activities.....	9,232,927	252,551,410		152,393,380	9,575,006	3,589,751	427,342,474
Cash Flows from Capital and Related Financing Activities:							
Capital Contributions.....	-	20,308,094		6,938,882	-	-	27,246,976
Acquisition and Construction of Capital Assets.....	(364,680,084)	(39,231,417)		(134,448,175)	(2,897,037)	(717,474)	(541,974,187)
Proceeds from Bond and Note Issuances.....	429,391,224	-		429,966,584	-	-	859,357,808
Principal Paid on Bonds and Notes.....	(32,590,000)	-		(22,440,000)	(6,615,000)	-	(61,645,000)
Interest Paid on Bonds - Net.....	(82,016,501)	-		(85,928,089)	(5,502,077)	-	(173,446,667)
Principal Paid on Refunded Debt.....	(108,765,000)	-		(125,985,000)	-	-	(234,750,000)
Swap Termination Fees.....	(11,750,000)	-		-	-	-	(11,750,000)
Net Cash Provided by (Used in) Capital Financing Activities.....	(170,404,361)	(18,933,323)		68,104,202	(15,014,114)	(717,474)	(136,955,070)
Cash Flows from Investing Activities:							
Proceeds from Sales and Maturities of Investments.....	651,726,504	103,221,800		309,876,577	35,897,510	-	1,100,722,791
Purchase of Investments.....	(632,143,250)	(106,320,328)		(449,757,017)	(37,208,168)	-	(1,225,433,763)
Interest on Investment Securities.....	14,930,952	296,527		7,175,672	405,624	-	22,808,775
Net Cash Provided by (Used in) Investing Activities.....	34,514,206	(2,802,001)		(132,695,768)	905,034	-	(101,892,197)
Net Increase (Decrease) in Cash and Cash Equivalents.....	(9,481,918)	9,007,524		393,916	(894,395)	120,041	(10,854,832)
Cash and Cash Equivalents at Beginning of Year.....	31,771,026	2,967,033		25,528,483	1,226,170	772,417	61,665,129
Cash and Cash Equivalents at End of Year.....	\$ 12,289,108	\$ 11,974,557		\$ 25,922,399	\$ 331,775	\$ 892,458	\$ 50,810,297

(Continued)

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2005

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)

Operating Activities:	
Operating Income (Loss)	\$ 106,134,605
Adjustments to Operating Income (Loss):	
Depreciation and Amortization	16,919,222
Allowance for Uncollectible Accounts	339,241
Changes in Assets and Liabilities:	
Other Receivables - Trade	(293,974)
Inventories	2,977,217
Increase in Net Pension Asset	(99,710,753)
Prepaid Expenses	(375,967)
Accounts Receivable	-
Due from Other Funds	-
Accounts and Contracts Payable	(4,155,306)
Due to Other Funds	3,284,550
Due to Component Units	(3,782,064)
Other Liabilities	482,844
Accrued Compensated Absences	1,759,543
Accrued Public Liability and Worker Compensation	69,804
Advances from Other Funds	(478,715)
Refundable Deposits	1,413,261
Prepaid Revenue	-
Accrued Salaries and Wages	173,323
	(177,814)

Net Cash Provided by (Used in) Operating Activities

\$ 107,174,910

\$ (221,818,562)

The accompanying notes are an integral part of the financial statements.

Business-Type Activities

	Water Fund	Automobile Parking Fund	Non-Major Fund	Total
\$	\$ 62,129,779	\$ (8,664,899)	\$ (1,960,164)	\$ (24,483,825)
	41,529,668	6,287,158	393,089	109,187,393
	6,650,637	-	-	28,570,563
	(10,919,185)	-	169,345	(30,380,972)
	501,841	-	-	3,196,181
	(150,452,408)	-	-	(258,013,542)
	(461,392)	254,802	2,241	(590,316)
	(28,690,398)	756,624	-	755,624
	(13,787,881)	389,962	(389,265)	(28,697,701)
	-	1,435,430	(41,066)	(36,634,772)
	-	934,068	(681,596)	(14,561,430)
	-	-	-	(3,762,064)
	(7,669)	2,512,483	(120,211)	46,186,566
	2,824,151	112,058	(97,741)	4,667,055
	2,933,092	-	(42,463)	3,892,725
	-	1,310,000	-	1,310,000
	-	-	2,257	2,257
	-	-	(3,176)	(3,176)
	354,027	123,101	16,408	489,845
\$	\$ (87,403,898)	\$ 5,409,747	\$ (2,752,236)	\$ (199,350,639)

City of Detroit, Michigan
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

ASSETS		Pension and Other Employee Benefit Funds	Agency Funds	Total
Cash and Cash Equivalents	\$ 32,226,333	\$ 2,510,637	\$	\$ 34,736,970
Investments at Fair Value:				
Short-Term Investments	1,311,852,696	-	-	1,311,852,696
Commercial Paper	15,979,446	-	-	15,979,446
U.S. Government Obligations	39,733	-	-	39,733
Bonds and Stocks	4,443,459,829	-	-	4,443,459,829
Mortgage-Backed Securities	182,965,771	-	-	182,965,771
Equity Interest in Real Estate	151,136,711	-	-	151,136,711
Real Estate Investment Trusts Held by Custodian	174,797,372	-	-	174,797,372
Fixed Investments	35,450,553	-	-	35,450,553
Private Placements	470,839,154	-	-	470,839,154
Total Investments	362,198,121	8,639,787	-	370,837,908
Accrued Interest Receivable	7,186,478,377	8,639,787	-	7,195,118,163
Accounts Receivable	28,321,619	-	-	28,321,619
Due from Primary Government	71,412,133	185,281	-	71,597,414
Due from Component Units	14,197	-	-	14,197
Other Receivables	152,979,255	-	-	152,979,255
Total Accounts Receivable	236,598,595	185,281	-	236,783,876
Cash and Investments Held as Collateral for Securities Lending	1,185,157,132	-	-	1,185,157,132
Other Assets	926,108	-	-	926,108
Total Assets	8,577,443,664	11,335,695	-	8,588,779,359
LIABILITIES AND NET ASSETS				
Accounts and Contracts Payable	6,343,863	1,488,331	-	7,832,194
Due to Broker	195,337,141	-	-	195,337,141
Benefits and Claims Payable	21,325,025	-	-	21,325,025
Due to Primary Government	4,673,231	238,405	-	4,911,636
Due to Component Units	782,815	-	-	782,815
Amount Due to Broker for Securities Lending	1,185,157,132	-	-	1,185,157,132
Other Liabilities	59,815,825	9,638,960	-	69,454,785
Total Liabilities	1,391,116,092	11,335,695	-	1,402,451,787
Net Assets	\$ 2,186,327,572	\$	\$	\$ 2,186,327,572

(An unaudited Schedule of Employer Contributions and Funding Progress is presented on page 117)

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2005

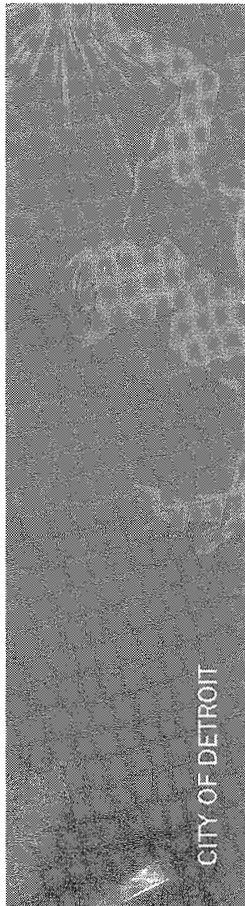
	Pension and Other Employee Benefit Funds
ADDITIONS:	
Employer Contributions	\$ 1,743,798,625
Plan Member Contributions	54,099,017
Other Income	10,470,273
Total Contributions	1,808,367,915
Investment Gain	538,248,281
Total Addition	2,346,616,196
DEDUCTIONS:	
Pension and Annuity Benefits	381,246,326
Premiums to Insurers and Damage Claims	316,609,428
Refunds	2,080,792
General and Administrative Expenses	140,439,637
Total Deductions	840,376,183
Net Increase	1,506,240,013
Net Assets Held in Trust for Pension and Employee Benefits, Beginning of Year	5,688,127,485
Net Assets Held in Trust for Pension and Employee Benefits, End of Year	\$ 7,194,367,498

The accompanying notes are an integral part of the financial statements.

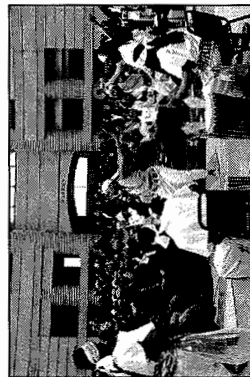
City of Detroit, Michigan
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2005

	Local Development Authority	Museum of Art and History	School District of Detroit	Tax Increment Finance Authority	Detroit Transportation Authority	Greater Detroit Metropolitan Authority	Total
Expenses	\$ (7,614,330)	\$ (9,832,815)	\$ (1,878,867,532)	\$ (11,210,975)	\$ (8,317,361)	\$ (11,778,598)	\$ (19,471,951,980)
Program Revenues							
Charges for Services							
Operating Grants and Contributions	228,609	267,482	9,341,563	12,389,457	4,922,167		20,929,118
Investment Income	15,511	5,397,912			12,001,668		17,414,591
Interest and Fundraising on Debt	379,311	5,155,184	9,311,503	11,339,457	22,221,855		45,407,310
Total Program Revenues	623,431	5,760,578	18,653,066	23,728,914	37,145,690		85,839,409
Net Program (Expense) Revenue	(7,987,761)	(9,572,243)	(1,897,423,598)	(11,234,894)	(8,354,517)	(11,778,598)	(19,471,951,980)
General Revenues							
Property Taxes - Levied for General Purpose	71,359	28,041,616	4,196,581				32,539,156
Property Taxes - Levied for Debt Service							
Investment Income		167,276		3,472	12,042		15,590
Interest and Fundraising on Debt	2,613	53,896					56,509
Shared Taxes		2,677,049					2,677,049
Other Taxes and Assessments		1,163,964					1,163,964
Other Non-Operating		1,415,751	572,673				2,008,424
General Revenues	74,582	34,359,792	4,769,254	3,472	12,054		40,719,155
Change in Net Assets	177,821	4,144,439	(17,664,564)	4,637,743	1,892,766		(12,012,815)
Net Assets (Deficit) - Beginning of Year as Restated	70,630	56,888,248	35,455,533	13,075,816	96,858,512		273,914,239
Net Assets (Deficit) - End of Year	348,451	61,033,727	17,790,969	17,713,559	98,751,278		281,987,934

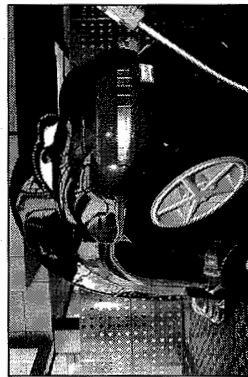
The accompanying notes are an integral part of the financial statements.



CITY OF DETROIT



In April, musicians and dancers perform at the celebration of the **40th anniversary of the Charles H. Wright Museum of African-American History**. The museum has taken great strides in expanding its membership, and its exhibits have struck a deep chord with visitors from across the country.

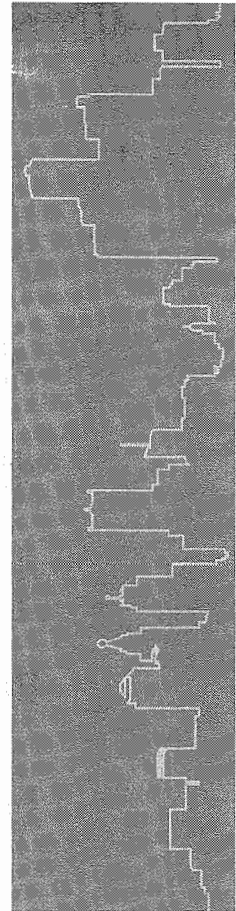
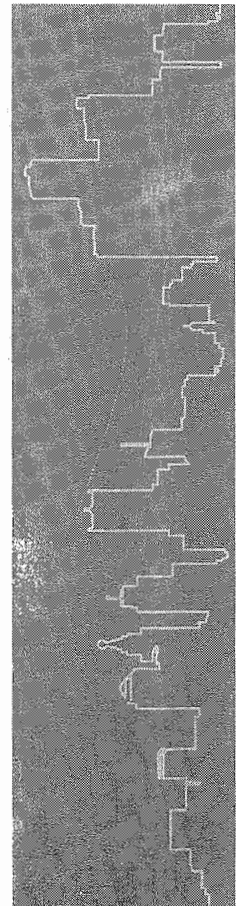


One of the fabulously imaginative **CarTune** car sculptures that were displayed on streets throughout downtown Detroit and Windsor during the summer of 2005.

The cars were later sold to raise funds for local charities.



Mayor Kilpatrick receives the **Midwest Regional Deal of the Year Award** from The Bond Buyer in New York City on December 6, 2005.



**NOTES
 TO BASIC
 FINANCIAL
 STATEMENTS**

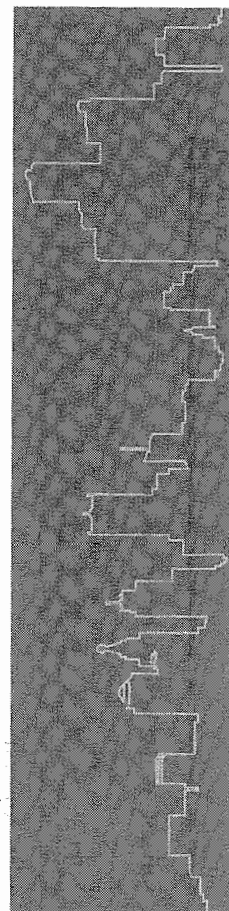
CITY OF DETROIT



Children relish a warm spring day at Belle Isle Park's **Kids' Kingdom**. People of all ages enjoy the many attractions and natural beauty of Belle Isle, Detroit's 980-acre island Gem.



Children create their own crafts at **Metro Youth Day**. Hundreds of children participated in the many activities at the annual event on Belle Isle.



NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Detroit (the City), incorporated in 1806, is a home rule city under State of Michigan law. The City is organized into two separate branches: (1) the executive branch, which is headed by the Mayor, and (2) the legislative branch, which is composed of the City Council and its agencies. Other agencies (City Clerk and Election) are not classified under the two branches. The City provides the following services as authorized by its charter: public protection, public works, recreation and culture, health, economic development, public lighting, transportation, water and sewage, airport, and parking.

A. REPORTING ENTITY

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the City (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The thirteen component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

1. Blended Component Units:

Detroit Building Authority (DBA): The City of Detroit Building Authority (DBA) is included in the operations and activities of the City because it was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, or maintaining a building or buildings (including but not limited to health and public safety facilities), automobile parking lots or structures (independently or adjacent to other buildings), recreational facilities, and the necessary site or sites, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, all for the use of any legitimate public purpose of the City. Financing is provided by the issuance of bonds secured by lease agreements with the City and from grants received by the City.

Detroit General Retirement System Service Corporation (DGRSSC) and Police and Fire Retirement System Service Corporation (DPRSSC):

The Detroit General Retirement System Service Corporation (DGRSSC) and the Detroit Police and Fire Retirement System Service Corporation (DPRSSC) are Michigan nonprofit corporations incorporated by the City pursuant to State Law. The DGRSSC and DPRSSC were formed to assist the City in maintaining the actuarial integrity of the City's two pension systems. The governing body of each corporation is its Board of Directors, each of which consists of three officials of the City, the Finance Director, the Budget Director and the Corporation Counsel, plus two members of the City Council, selected and appointed by the City Council.

In May 2005, the City entered into a separate service contract with each of the DGRSSC and the DPRSSC, in which the City contractually obligated itself to make periodic payments to the corporations in return for their service of reducing the financial burden of the City's pension costs. The DGRSSC and the DPRSSC, severally and not jointly, entered into a Trust Agreement with U.S. Bank National Association, as Trustee, which created the Detroit Retirement Systems Funding Trust 2005 (DRSFT), a grantor trust established and existing under Michigan law. The DGRSSC and DPRSSC sold and assigned to the DRSFT their rights to receive certain of the payments to be received from the City under the service contracts.

2. Discretely Presented Component Units:

Component units, which are not blended as part of the primary government, are discretely presented by reporting component unit financial data in a column separate from the financial data of the primary government. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units presented in this manner are the following:

Detroit Brownfield Redevelopment Authority (DBRA): The DBRA was created by a City Council resolution and approved by the Mayor in April 1998, under the provisions of Act 381, Public Acts of Michigan of 1996. DBRA was established to create Brownfield redevelopment zones and promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax-reverted, blighted, or functionally obsolete property. This is the first year of substantial financial activity for this authority.

Detroit Public Library (DPL): The DPL is a statutory body created by the State. The DPL was created to provide reference materials, research information, and publications to residents of the City and the County. Funding is provided by an ad valorem tax of 3.63 mills in real and personal property taxes in the City. In addition, DPL receives grants and endowments from private organizations. City Council is responsible for approving DPL's annual budget.

Downtown Development Authority (DDA): The DDA was created to promote and develop economic growth in the City's downtown business district. Funding is provided by an ad valorem tax of 1.0 mill on real and personal property in the downtown development district, a levy on the increased assessed value of a tax increment district, and issuance of revenue and tax increment bonds.

Economic Development Corporation (EDC): The EDC was established to create and implement project plans for designated project areas within the City, and thus encourage the location and expansion of industrial and commercial enterprises within the City. The EDC is primarily funded by means of grants from the City.

Detroit Housing Commission (DHC): The DHC was established in 1933 under the authority of the Housing Facilities Act, 1933 PA18 (Ex. Sess.), MCL 125.651 et. seq. Section 2 of the act provided that any city or incorporated village with population of over 500,000 was authorized "to purchase, acquire, construct, maintain, operate, improve, extend, and/or repair housing facilities and to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, and/or welfare."

Local Development Finance Authority (LDFA): The LDFA was created to finance certain improvements for local public roads in the vicinity of the Chrysler/Jefferson Avenue Assembly Plant. Incremental portions of the City and the County of Wayne (the County) property taxes fund LDFA.

Museum of African American History (MAAAH): The MAAH was created to provide research, compilation, presentation, publication, and dissemination of knowledge relating to the history, growth, development, heritage, and culture of people of African descent and the human struggle for freedom. The MAAH is primarily funded by means of private grants and grants from the City.

School District of the City of Detroit (the District): The District is a statutory body created by the State and functions under the provisions of the Michigan School Code. Funding is provided by an ad valorem tax of 13.19 mills (homestead properties) and 31.19 mills (non-homestead) on real and personal property in the City and a "foundation allowance" provided by the State.

Tax Increment Finance Authority (TIFA): The TIFA was created to acquire property and provide financing for residential and commercial development programs through issuance of long-term debt secured by tax increment financing.

Detroit Transportation Corporation (DTC): The DTC was established in 1985 to oversee construction and operation of the Central Automated Transit System (People Mover) in downtown Detroit. The DTC is primarily funded by means of grants from the City.

Greater Detroit Resource Recovery Authority (GDRRA): The GDRRA was established by the cities of Detroit and Highland Park for the acquisition, construction, and operation of a waste-to-energy facility. The financing was provided by the issuance of revenue bonds.

Complete financial statements of the individual blended and discretely presented component units can be obtained directly from the following administrative offices:

Detroit Building Authority
2800 Cadillac Tower
65 Cadillac Square
Detroit, MI 48226
(313) 224-742

Detroit General Retirement System
Service Corporation
Coleman A. Young Municipal Center, Room 1200
2 Woodward Avenue
Detroit, Michigan 48226
(313) 224-3380

Detroit Police & Fire Retirement System
Service Corporation
Coleman A. Young Municipal Center, Room 1200
2 Woodward Avenue
Detroit, Michigan 48226
(313) 224-3380

Brownfield Redevelopment Authority
500 Griswold, Suite 2200
Detroit, Michigan 48226
(313) 237-4616

Detroit Public Library
5201 Woodward Avenue
Detroit, MI 48202
(313) 833-1000

Downtown Development Authority
211 Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Economic Development Corporation
211 West Fort Street, Suite 900
Detroit, Michigan 48226
(313) 963-2940

Detroit Housing Commission
2211 Orleans Street
Detroit, MI 48207
(313) 877-8557

Local Development Finance Authority
211 West Fort Street 900
Detroit, MI 48226
(313) 963-2940

Museum of African American History
315 East Warren Avenue
Detroit, MI 48201
(313) 494-5800

School District of the City of Detroit
3011 West Grand Blvd.
1st Floor
Detroit, MI 48202
(313) 873-4147

Tax Increment Finance Authority
211 West Fort Street Avenue, Suite 900
Detroit, MI 48226
(313) 963-2940

Detroit Transportation Corporation
1420 Washington Blvd., 3rd Floor
Detroit, MI 48226
(313) 224-2160

Greater Detroit Resource Recovery Authority
5700 Russell Street
Detroit, MI 48211
(313) 876-0449

B. JOINT VENTURE

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity, subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City participates in the following joint venture:

The Detroit-Wayne Joint Building Authority (DWJBA) was created as a corporate instrumentality in 1948 by agreement between the City and the County. All revenues or other monies received by the DWJBA must be disbursed for specific purposes in accordance with agreements with the incorporating units and the holders of the bonds. In March 1988, the City and County agreed to a consent judgment whereby the County's equity in the ownership of a portion of the space in the Coleman A. Young Municipal Center was transferred to the City. As a result, the fixed asset costs are recorded within the City's government-wide financial statements.

The DWJBA is party to a lease agreement that extends to March 1, 2028 for rental of the Coleman A. Young Municipal Center to the City and the County. The lease provides that the DWJBA shall maintain and operate the building, the expenditures of which are to be reimbursed by the City and County on the basis of the building space allocations specified in the lease. Also, the extended lease agreement identified the intention to renovate space occupied by the County and provided the commitment of the County to enter into a separate supplemental lease for the repayment for the debt used in the renovations. Therefore, the County has an ongoing financial responsibility.

Complete financial statements of the DWJBA may be obtained by writing the DWJBA at the following address:

Detroit-Wayne Joint Building Authority
1316 Coleman A. Young Municipal Center (CAYMC)
Detroit, MI 48226

C. BASIS OF PRESENTATION

The basic financial statements include both government-wide and fund financial statements.

1. Government-wide Financial Statements

The government-wide statement of net assets and statement of activities report the overall financial activity of the primary government (the City), excluding fiduciary activities, and its component units. Eliminations have been made to minimize the double counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nontax transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund types. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services primarily result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City uses the following major funds:

Governmental Funds:

- a. **General Fund** accounts for several of the City's primary services (Police, Fire, Public Works, Community and Youth Services, etc.) and is the primary operating unit of the City.
- b. **Detroit General Retirement System Service Corporation** accounts for the proceeds and service payments related to the issuance of the Pension Obligation Certificates in June of 2005.
- c. **Police & Fire Retirement System Service Corporation** accounts for the proceeds and service payments related to the issuance of the Pension Obligation Certificates in June of 2005.

Proprietary Funds:

- a. **Sewage Disposal Fund** accounts for the operations of the wastewater treatment plant, sewers, including sanitary and combined sewers, combined sewer overflows, and interceptors. The facility provides service to Detroit and 75 other communities in southeastern Michigan.
- b. **Transportation Fund** accounts for the City's mass transit system with a fleet of over 572 coaches. The fund operates three light repair garages and terminals.
- c. **Water Fund** accounts for the operations of five water treatment plants, 20 booster stations, a transmission and distribution system and reservoirs. The fund provides service to Detroit and 125 other communities in southeastern Michigan.
- d. **Automobile Parking Fund** accounts for the activity of the City's Auto Parking and Arena System, but does not include parking fine revenues.

The City reports the following additional fund types:

Fiduciary Funds:

- a. **Pension and Other Employee Benefit Funds** account for moneys held in trust by the City for pension benefits and other employee benefits. The City uses pension trust funds to account for the retirement plans for civilian employees, firefighters and police officers. The Employee Benefit funds accounts for various health and long-term disability benefits for employees and retirees.
- b. **Agency Funds** account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

D. BASIS OF ACCOUNTING

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from self-assessed taxes, including income taxes and sales tax, is recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Financial Accounting Standards Board (FASB) Statements and Interpretations, APB opinions and ARB's of the Committee on Accounting Procedure issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the option of following subsequent FASB guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent FASB guidance.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year, except for grants and trade receivables, which are 180 and 90 days, respectively. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, compensated absences and other long term obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, pension obligation certificates and acquisitions under capital leases are reported as other financing sources. Significant revenue sources, which are susceptible to accrual, include property taxes, income taxes, utility taxes, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

E. BUDGETARY DATA

Budgeting Policy:

The City's annual budget constitutes a financial plan for the next fiscal year, which is required to set forth estimated revenues from all sources and all appropriations. Proposed capital appropriations are included in separate sections of the budget. Any surplus or deficit during the preceding year is entered into the budget for the next fiscal year as either revenue (surplus) or appropriation (deficit), in accordance with the City Charter. The total of proposed expenditures cannot exceed the total of estimated revenues, so that the budget as submitted is a balanced budget. Budgets are prepared for all agencies of the City.

Budgetary Compliance Report:

The Finance Department has prepared a Budgetary Compliance Report for the fiscal year ended June 30, 2005. This report shows the Original and Final Budgets amounts and the (non-GAAP) budgetary-basis expenditures for each appropriation in of the Governmental Funds. The report is in Adobe PDF format and is available on the Finance Department home page of the City's website at www.ci.detroit.mi.us

On or before April 12 each year, the Mayor submits to the City Council a proposed annual budget for the next fiscal year. A public hearing in the manner provided by law or ordinance is held on the proposed budget before adoption. After the public hearing, the City Council adopts the budget with or without amendment. Consideration of the budget is completed by the City Council no later than May 24. If the Mayor disapproves of amendments made by the City Council, the Mayor, within seven days, submits to the City Council in writing the reasons for the disapproval. The City Council proceeds to reconsider any budget item so disapproved. If, after reconsideration, a two-thirds majority of the City Council

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

serving agrees to sustain any of the City Council's amendments to the budget, those amendments so sustained are of full force and effect. The City Council's reconsideration of the budget must be concluded within three business days after receipt of the Mayor's disapproval.

The adoption of the budget provides for: (1) appropriations of specific amounts from funds indicated, (2) a specific levy of property tax, and (3) provision for the issuance of bonds specified in the capital program. The budget as adopted becomes the basis for establishing revenues and expenditures for the fiscal year. The appropriations for the functions of each City department are fixed. Expenditures may not exceed the original appropriations without City Council approval. If during the fiscal year the Mayor advises the City Council that there are available appropriations and revenues in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of estimated revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. In any case, the Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services, or activities within an agency or from one agency to another.

F. ASSETS, LIABILITIES, AND FUND EQUITY

1. **Cash and Investments:** Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value based on quoted market prices.

2. **Interfund Transactions:**

The City has the following types of interfund transactions:

- Loans** - amounts provided with a requirement for repayment. Interfund loans are reported as due from other funds in lender funds and due to other funds in borrower funds.
- Services provided and used** - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.
- Reimbursements** - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
- Transfers** - flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

3. **Inventories:** Cost of inventories of the governmental-type funds is recorded as expenditures at the time of purchase. Inventories at year-end for the General Construction Code, Drug Law Enforcement Fund, and Major and Local Street funds are recorded in the balance sheet at cost or market, whichever is lower, based on a physical inventory, with a reserve for inventories in fund balance by the related fund. Inventories of the Enterprise Funds are stated at the lower of cost or market and expensed when used.

4. **Capital Assets:** Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are recorded at fair market value as of the date received. The City's capitalization levels are \$5,000 on tangible personal property and for improvements other than buildings, and \$50,000 on infrastructure, including sewer and storm water lines. All acquisitions of land and land improvements will be capitalized regardless of cost. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capitalized interest, net of related debt, for the year ended June 30, 2005 for the Sewage

(Continued)

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
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Disposal and Water Funds was \$50,767,951 and \$31,567,774 respectively. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement, and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	Years
Land improvements	5 - 20
Buildings and building improvements	5 - 50
Improvements other than buildings	5 - 50
Machinery and equipment	5 - 20
Vehicles other than buses	3 - 10
Buses	12
Stormwater and wastewater lines and pump stations	10 - 65
Other infrastructure	7 - 60

The City has a collection of artwork presented both in buildings and public outdoor spaces. The true value of the art is expected to either be maintained at cost or appreciate over time, and thus, the art is not depreciated. If individual pieces are lost or destroyed, the loss is recorded.

5. **Bond Premiums, Discounts, and Issuance Costs:** In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and gains (losses) on defeasance. Bond premiums, discounts and issuance gains and costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund-types recognize bond premiums or discounts and gains or losses on defeasance, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. **Encumbrances:** Encumbrances outstanding for governmental funds at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. All governmental fund budgets are maintained on the modified accrual basis of accounting, except budgetary-basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year-end.

7. **Compensated Absences:** For funds other than the Transportation Fund, unused vacation pay and banked overtime accumulate up to a maximum level until termination of employment, while there is no vesting of sick pay until an employee reaches age 60 or completes 25 years of service. Furlough time is awarded to uniformed police and fire employees at the beginning of two semi-annual periods. Any unused furlough time remaining at the end of each semi-annual period is forfeited. For the Transportation Fund, unused vacation pay accumulates for each employee up to a maximum level. Once this level is attained, unused vacation must be used or the employee loses a portion of the vacation pay.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. A liability for these amounts is reported in governmental funds only if they have matured.

8. **Property Taxes:** The State Constitution limits the proportion of true cash value at which real property can be uniformly assessed to 50%. The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government are responsible for actually assessing at 50% of true cash value, the final State equalized assessment against which local property tax rates are applied is derived through several steps. County equalization is brought about by adjustments of the various local unit assessment ratios to the

(Continued)

same level; then the State equalizes the various counties in relation to each other. State equalized values are important; aside from their use for local property tax levy purposes, because of their role in distribution of State school aid and in the calculation of debt limits. The only major items of personal property subject to property taxation in the City are commercial and industrial furniture, fixtures, and equipment. Though comprehensive authority is granted by the State to Michigan municipalities for governmental purposes, the Constitution and general laws of the State limit the municipal rate of taxation and restrict the amount of debt a municipality may incur. At the present time, the general ad valorem taxing power of the City is generally limited by State law and the City Charter to 20 mills. The City is levying at its current maximum rate limit. In addition, the City is authorized to levy additional taxes within specified amounts for specific purposes under specific legislation. At the present time, under such an authorization, the City is levying 3 additional mills for the purpose of garbage and rubbish collection. These millage limitations, however, do not apply to taxes levied by the City for payment of principal and interest on presently outstanding unlimited tax-supported bonds, nor do they apply to payment of principal and interest on tax-outstanding bonds issued in anticipation of presently outstanding contractual obligations of the City or presently outstanding assessments in the City.

The City's property tax is levied each July 1 of the fiscal year and is payable without penalty either on or before August 31 in full, or one-half on or before August 15, with the balance then being payable on or before the following January 15. Property taxes attach as a lien on the property as of July 1 of the year of levy. Property owners may appeal their assessments to the local Board of Review and ultimately to the Michigan Tax Tribunal.

In the government-wide financial statements, property tax revenue is recorded in the period in which the tax is levied. In the governmental fund financial statements, the City records property tax revenue when available. Available is defined as due and receivable within the current fiscal year and collected within the current fiscal year or expected to be collected within 60 days thereafter.

9. **Municipal Income Taxes:** The City levies an annual income tax. The rate for the calendar year 2005 consists of an annualized tax of 2.50% on the income of resident individuals, 1.25% on income earned in the City by non-residents and for corporations the annual rate for 2005 is 1.0%. These rates are being lowered over a 10-year period starting July 1, 1999. The resident rate will decrease by 1/10 of a percentage point, the non-resident rate by 1/20 of a percentage point, and the corporate rate by 2/10 of a percentage point over the same period. After the 10-year period, the calendar 2009 resident rate will be 2%, the non-resident rate will be 1%, and the corporate rate will be zero. However, due to current economic conditions there was a temporary rate freeze of the tax rates for the calendar year 2005. The rates were as follows: residents 2.5%, non-residents 1.25% and corporations 1%. The City has re-applied for, and received, approval for the rate freeze to remain in effect for calendar year 2006. Municipal income taxes are accrued for income tax withholdings collected by employers but not yet remitted to the City. In the government-wide financial statements, income tax revenue is recorded in the period in which the underlying compensation is earned by the taxpayer. In the governmental fund financial statements, the City records municipal income tax revenues when they become available. Available is defined as due and receivable within the current fiscal year or expected to be collected within 60 days thereafter. Estimated refunds for income tax returns received and in process, in which payment has not been made, are recorded as a reduction of revenues. Income tax assessment receivable represents estimated additional taxes assessed as a result of tax return audits or failure to file a return.

10. **Fund Balances:** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balances represent tentative City plans that are subject to change.

11. **Net Assets:** The government-wide and proprietary fund financial statements utilize a net asset presentation. Net assets are categorized as follows:

a. **Invested in Capital Assets Net of Related Debt** - consists of capital assets, net of accumulated depreciation. The outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets would further reduce this component. If there were significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds would be offset by the outstanding debt.

b. **Restricted Assets** - consist of constraints placed on net asset use through external constraints imposed by grantors, contributors, or laws. When both restricted and unrestricted resources are available,

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generally it is the City's policy to use restricted resources first, and then unrestricted resources, when they are needed.

c. **Unrestricted Assets** - Consist of net assets that do not meet the definition of "Restricted" or "Invested in Capital Assets, net of related debt".

12. **Use of Estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. **Detroit Housing Commission (DHC) Restatement:** On July 7, 2005, the United States Department of Housing and Urban Development (HUD) signed a cooperative endeavor agreement with the Mayor. The agreement calls for the City to transfer all of DHC's assets, projects, and programs to HUD and for HUD to manage the day-to-day operations and reporting requirements of the DHC. The agreement has a two-year term and is renewable annually thereafter. DHC's net assets at June 30, 2004 are restated based on their unaudited financial statements.

The Basic Financial Statements contain the Detroit Housing Commission's unaudited financial statements for fiscal year ended June 30, 2005.

These unaudited financial statements represent the best data available as of April 15, 2006.

Net Assets of DHC at June 30, 2004, as previously reported	\$	126,581,588
Net Assets of DHC at June 30, 2004, as restated	\$	96,858,512
Net DHC restatement	\$	29,723,076

14. **New Accounting Pronouncements:** The City adopted GASB Statement No. 40, *Deposits and Investment Risk Disclosures—on Amendment of GASB Statement No. 3*, for the year ended June 30, 2005. This pronouncement requires additional disclosures presented in these notes, but has no impact on fund balance or net assets. These disclosures address common deposit and investment risks related to credit risk, concentration of credit risk, interest risk, and foreign currency risk.

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. The City will implement Statement No. 42 beginning with the year ended June 30, 2006. The City is currently evaluating the impact of adopting Statement No. 42.

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes accounting and financial reporting standards for employers that participate in a defined benefit "other postemployment benefit" (OPEB) plan. Specifically, the City will be required to measure and disclose an amount for annual OPEB cost on the accrual basis for health and insurance benefits that will be provided to retired City employees in future years. The City is also required to record a net OPEB obligation which is defined as the cumulative difference between annual OPEB cost and the employers contributions to a plan, including the OPEB liability or asset at transition, if any. The City is currently evaluating the impact that this standard will have on the financial statements when adopted. The City will implement Statement No. 45 beginning with the year ended June 30, 2008.

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City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City has no material violations of finance-related legal and contractual provisions.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The legal level of budget control is maintained at the appropriation level, which is more detailed than the budget in the Required Supplemental Information. Listed below are expenditures that exceeded its corresponding appropriation for the year ended June 30, 2005:

Department Name	Appropriation No.	Appropriation Description	Final Budget	Actual Expenditures	Actual/Over Appropriation
Public Works	00035	Refuse Collection	25,848,672	27,240,817	(1,392,145)
	00037	Street Cleaning	2,812,494	4,242,270	(1,429,776)
	00040	Refuse Disposal	76,548,630	82,768,373	(6,219,743)
	00041	Street Maintenance	5,213,828	6,386,796	(1,172,968)
	00052	Stores and Supplies	10,144,002	12,233,477	(2,089,475)
		Total Public Works	120,567,616	132,871,733	(12,304,117)
Fire	00718	Fire Fighting Operations	146,748,964	147,713,602	(964,638)
	10828	Tax Support-Bldgs and Safety Eng	112,106	461,106	(349,000)
	11177	Program Management Office	446,342	1,674,004	(1,227,662)
	11426	Office of Targeted Business Development	469,273	786,498	(317,225)
	11915	ITS - Unisys Project	-	6,612,615	(6,612,615)
		Total Non Departmental	1,027,721	9,534,223	(8,506,502)
Police	00112	Police Executive	4,973,659	5,319,436	(345,777)
	00115	Human Resources Bureau	10,303,321	10,649,572	(346,251)
	00116	Eastern Operations Bureau	128,255,851	137,173,079	(8,917,228)
	00363	Office of Executive Deputy Chief	-	4,357,611	(4,357,611)
	10164	COPS UHP-DDOT (3601)	4,095,456	5,748,893	(1,653,437)
		Total Police	147,628,287	163,248,591	(15,620,304)
Public Lighting	00131	Heat and Power Production	37,175,546	44,221,515	(7,045,969)
	10544	North District Operations	6,991,443	8,374,769	(1,383,326)
	10547	East District Operations	4,463,985	4,865,580	(402,495)
	10548	Belle Isle District	6,343,673	9,331,838	(2,988,165)
		Total Recreation	17,798,301	22,572,187	(4,773,886)

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City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

C. DEFICIT FUND EQUITY

General Fund had a deficit fund balance of \$33,594,434. The Detroit Public Schools (DPS) and Local Development Finance Authority (both Component units) had fund deficits of \$31,177,603 and \$56,871,192 respectively. Each fund has a deficit reduction plan, which includes, among other things, changes in how and what level of services are to be provided, perhaps additional subsidies and in the case of DPS additional State appropriations.

NOTE III. DETAILED NOTES ON ALL FUNDS

A. ASSETS

I. Deposits and Investments

a. Primary Government

The following is a complete listing of deposits and investments held by the City at June 30, 2005:

	Governmental Activities	Business - Type Activities	Total
Deposits	\$ 152,481,046	\$ 71,120,511	\$ 223,601,557
Investments	297,929,368	1,103,535,354	1,401,464,722
Total	\$ 450,410,414	\$ 1,174,655,865	\$ 1,625,066,279

The Deposits and Investments of the City at June 30, 2005 are reflected in the financial statements as follows:

	Governmental Activities	Business - Type Activities	Total
Unrestricted			
Cash and Cash Equivalents	\$ 50,307,208	\$ 2,208,061	\$ 52,515,269
Investments	265,697,802	60,216,610	325,914,412
Restricted			
Cash and Cash Equivalents	88,805,837	48,602,256	137,408,093
Investments	45,599,567	1,063,628,938	1,109,228,505
Total	\$ 450,410,414	\$ 1,174,655,865	\$ 1,625,066,279

State laws authorize the City to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or by trustees is secured in accordance with the requirements of the agency or trust agreement.

The City is authorized to invest in obligations of the U.S. government or its agencies, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, repurchase agreements, banker's acceptances, mutual funds of certain investment quality, and investment pools authorized by state law.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the bank may not return the City's deposits. The City does not have a deposit policy for custodial credit risk. As of June 30, 2005, the governmental and business-type activities had deposits of \$204,454,712 that were exposed to custodial credit risk as they were uninsured and uncollateralized.

Custodial Credit Risk of Investments

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City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
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Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. As of June 30, 2005, the City had no investments subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that, over time, the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not specifically restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The City policy minimizes interest rate risk by requiring that the Fund attempt to match its investments with anticipated cash flow requirements. Unless related to a specific cash flow, the City is generally not permitted to directly invest in securities maturing more than 10 years from original date of purchase.

As of June 30, 2005, the City had the following investments and maturities:

Governmental Activities	Fair Value	Less Than			6-10 Years
		1 Year	1-5 Years	5-10 Years	
US Treasury	\$ 12,689,389	\$ 2,446,448	\$ 7,583,266	\$ 2,659,675	
US Government Agency Securities	84,887,117	18,024,779	66,862,338		
Repurchase Agreement	1,005,222	1,005,222			
Money Market	154,347,640	154,347,640			
Total-Unrestricted	252,929,368	175,824,089	74,445,604	2,659,675	
Money Market	45,000,000	45,000,000			
Total - Restricted	45,000,000	45,000,000			
Total Investments	\$ 297,929,368	\$ 220,824,119	\$ 74,445,604	\$ 2,659,675	

Investment Maturities in Years

Business Type Activities	Fair Value	Less Than			6-10 Years	Over 10 Years
		1 Year	1-5 Years	5-10 Years		
Money Market	\$ 54,216,611	\$ 54,216,611				
Total-Unrestricted	54,216,611	54,216,611				
US Treasury	12,976,157	12,976,157				
US Government Agency Securities	454,132,713	251,440,514	199,784,590	2,907,609		
Repurchase Agreement	93,256,654	42,332,654	14,924,000		36,000,000	
Money Market	488,953,219	488,953,219				
Total - Restricted	1,049,318,743	795,702,544	214,708,590	2,907,609	36,000,000	
Grand Total	\$ 1,103,535,354	\$ 849,919,155	\$ 214,708,590	\$ 2,907,609	\$ 36,000,000	

Credit Risk

The City's investment policy complies with state law which limits its investments in commercial paper, mutual funds and external investment pools which purchase commercial paper to the top two rating classifications issued by two nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2005, the City's investments have the following ratings:

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City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Governmental Activities:

	U.S. Treasury	U.S. Government Agency Securities	Repurchase Agreements	Money Market
S&P				
AAA	\$ 12,689,389	\$ 58,059,229	\$ -	\$ -
Moody's				
Aaa	-	-	-	732,658
AAA	-	26,827,888	1,005,222	198,614,982
Total	\$ 12,689,389	\$ 84,887,117	\$ 1,005,222	\$ 199,347,640

Business-Type Activities:

	U.S. Treasury	U.S. Government Agency Securities	Repurchase Agreements	Money Market
S&P				
AAA	\$ 12,976,157	\$ 395,844,561	\$ 28,442,000	\$ 10,645,531
AA-	-	-	40,074,500	-
A+	-	-	9,816,154	-
A-	-	-	14,924,000	-
Moody's				
Aaa	-	58,288,152	-	38,010,950
Aa3	-	-	-	1,014,385
Not Rated	-	-	-	493,498,964
Total	\$ 12,976,157	\$ 454,132,713	\$ 93,256,654	\$ 543,169,830

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the city's investment in a single issuer. The city's policy specifies a number of limitations to minimize concentration of credit risk include prohibiting investing more than 5% of the portfolio in securities (excluding U.S. government, mutual funds, external investment pools, and other pooled investments) of any one issuer. More than 5% of the primary government's investments are in Federal Home Loan Bank, Federal Home Loan Mortgage, and Federal National Mortgage Association. These investments are 18.5%, 6.1%, and 13.9%, respectively, of the primary governments investments.

b. Fiduciary Activities

The Fiduciary activities consist of the Pension funds (General Retirement System and Police and Fire Retirement System) and Other Employee Benefit and Agency Funds.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Pension Funds

State laws authorize the Pension Funds to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or by trustees is secured in accordance with the requirements of the agency or trust agreement.

The Pension Funds are authorized to invest in obligations of the U.S. government or its agencies, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, repurchase agreements, banker's acceptances, mutual funds of certain investment quality, equity securities and investment pools authorized by state law.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Pension Funds' deposits may not be returned by the bank. The Pension Funds do not have a deposit policy for custodial credit risk. As of June 30, 2005, the General Retirement System and Police and Fire Retirement System had deposits of \$11,267,228 and \$9,672,771, respectively, that were exposed to custodial credit risk as they were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Pension Funds will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Funds do not have a policy for custodial credit risk. As of June 30, 2005, the Pension Funds had no investments subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that, over time, the value of investments will decrease as a result of a rise in interest rates. The pension funds' investment policy does not restrict investment maturities.

As of June 30, 2005, the Pension Funds had the following investments and maturities:

General Retirement System	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	more than 10
Asset Backed	83,953,343	753,194	59,361,622	1,252,924	22,585,803
CMO	24,876,956	-	799,965	272,038	23,804,953
Corporate Bonds	231,628,740	15,904,350	82,989,282	118,588,374	14,146,734
FHLMC	24,969,252	-	1,247,691	2,044,374	21,677,187
FNMA	69,064,833	-	1,938,653	2,844,399	64,281,781
GNMA	4,743,387	-	534,423	204,094	4,004,870
Government Issues	509,386,179	28,110,142	452,530,960	8,833,505	19,911,572
Municipals	702,496	653,242	49,254	-	-
Foreign Government Issues	33,112,342	4,028,477	6,725,441	19,353,419	3,005,005
STIF-Type Instrument	797,103,222	89,304,981	-	-	707,798,241
Mortgages	46,263,663	31,383,209	14,880,454	-	-
Construction loans	23,920,529	15,305,065	8,615,464	-	-
Private Placement	5,000,000	-	5,000,000	-	-
Total	1,854,725,142	168,785,116	28,495,918	19,353,419	710,803,246

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Poles and Fire Retirement System	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government	\$129,475,028	\$14,431,714	\$75,438,000	\$20,538,190	\$19,027,124
Mortgage Backed	54,371,713	-	270,134	2,174,714	51,926,865
Collateralized Mortgage Obligation	24,833,936	-	-	-	24,833,936
Corporate	439,208,985	23,656,048	187,021,254	143,788,865	84,742,818
Yankee Bonds	12,463,030	-	1,231,416	315,066	10,916,548
Non-U.S. Fixed Income	311,555,584	3,979,259	15,788,814	8,525,486	2,862,025
Convertible Bonds	8,204,662	149,044	1,020,885	-	7,034,733
Treasury Bills	3,439,095	-	-	-	-
Mortgages	19,331,504	-	-	-	19,331,504
Construction Loans	62,621,015	-	-	-	-
Total	785,104,552	96,960,676	292,106,002	175,362,321	220,675,553

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The system has no investment policy that would further limit its investment choices.

As of June 30, 2005, the Pension Funds' investments have the following ratings:

General Retirement System

S&P	Amount	Rating	Moody	Amount	Rating
A	227,955	A	3,609,067	A1	
A+	2,184,833	A+	10,746,815	A2	
A-1+	275,673	A-1+	2,448,851	A3	
AA	89,828	AA	1,682,295	AA1	
AA-	542,621	AA-	3,530,682	AA2	
AAA	152,974	AAA	914,947	AA3	
AAA-	11,684,542	AAA-	246,131,696	AAA	
B	3,255,949	B	18,169,725	B1	
B-	380,147	B-	21,017,424	B2	
B+	4,625,130	B+	25,387,322	B3	
BB	1,061,020	BB	9,453,732	BA1	
BB-	60,738	BB-	15,725,284	BA2	
BB+	2,822,961	BB+	15,975,582	BA3	
BBB	1,764,783	BBB	6,043,284	BA4	
BBB+	239,755	BBB+	9,005,352	BA5	
D	104,162	D	11,017,052	BA6	
			8,750	C	
			3,598,138	CA	
			11,218,333	CAA1	
			4,612,680	CAA2	

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Police and Fire Retirement System

Investment Type and Fair Value (\$000)	TSV	AGV	AAA	AA	A	BBB	BB	B	CCC & Below	NB
U.S. Government	\$62,460	\$2,444	\$41,105	\$966	-	-	-	-	-	-
Mortgage Backed	-	24,972	9,135	-	-	-	-	-	-	-
Collateralized Mortgage Obligations	-	15,619	12,465	19,150	130,274	127,786	52,032	68,657	18,421	9,394
Corporate	-	-	419	-	3,146	3,146	1,197	1,197	-	-
Yankee Bonds	-	-	-	6,281	-	2,934	-	-	-	-
Non-U.S. Bonds	-	-	-	-	1,829	2,401	753	1,509	-	153
Convertible Bonds	-	-	-	-	-	-	-	-	-	-
Common Stocks	-	-	-	-	-	-	-	-	-	-
Treasury Bills	-	-	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	19,332
Construction Loans	-	-	-	-	-	-	-	-	-	62,521
Total	\$82,460	\$33,324	\$68,071	\$26,400	\$150,480	\$138,821	\$51,829	\$76,606	\$18,424	\$91,603

Quality Ratings of TSV and AGV have been assigned by The Bank of New York

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in a foreign currency could lose U.S. dollar value because of changes in foreign currency exchange rates. State law and the city's investment policy do not permit investments in foreign currency. However, the General Retirement System and Police and Firemen Retirement System (Pension Funds) do not restrict the amount of investments in foreign currency. Their foreign currency investments are as follows:

	Equity	Corporate Bonds	Cash and Equivalents	Government Securities	Derivatives
Australian Dollar	\$ 7,595,112	\$ -	\$ 163,535	\$ 8,282,550	\$ -
Brazilian Real	-	-	3,992	-	-
British Pound Sterling	41,313,013	-	1,562,280	3,003,005	(3,271)
Canadian Dollar	1,811,619	-	31,272	9,893,994	9,486
Danish Krone	2,689,332	-	49,056	-	-
Euro Currency	84,064,927	-	2,165,338	8,040,295	(11,791)
Hong Kong Dollar	2,944,461	-	51,139	-	(1,868)
Hungarian Forint	3,169,711	-	-	-	-
Indonesian Rupiah	534,819	-	3,616	-	-
Japanese Yen	45,406,763	-	7,100,605	6,384	(11,491)
Malaysian Ringgit	621	-	-	-	-
Mexican Nuevo Peso	938,989	-	11,277	34,180	-
New Russian Ruble	-	-	2	-	-
New Zealand Dollar	297,033	1,374,483	3,752	1,340,650	-
Norwegian Krone	6,246,851	-	12,685	-	-
Philippine Peso	168,797	-	2,229	-	-
Polish Zloty	6,901,347	-	-	5,003,345	-
Singapore Dollar	1,578,279	-	16,976	4,028,477	(1,216)
South African Rand	537,065	-	-	-	-
South Korean Won	2,247,033	-	272	-	-
Swedish Krona	12,071,812	-	430,400	-	(1,385)
Swiss Franc	16,031,622	-	535,465	-	-
Thai Baht	22,541	-	569	-	-
Total	\$ 236,572,767	\$ 1,374,483	\$ 12,154,075	\$ 39,654,880	\$ (21,536)

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Securities Lending

As permitted by State statutes and under the provisions of a securities lending authorization agreement, the Pension Funds lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Pension Funds custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. The custodial banks do not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities.

The Pension Funds did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The General Retirement System had lent no securities to broker-dealers or banks.

The Police and Fire Retirement System and the borrower maintain the right to terminate all securities lending transaction on demand. The cash collateral received on each loan was invested together with the cash collateral of other lenders in an investment pool. The average duration of this investment pool as of June 30, 2005 was 27 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2005, the Police and Fire Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Police and Fire Retirement System as of June 30, 2005 was \$1,103,131,232 and \$1,072,327,690, respectively.

Other Employee Benefit and Agency Funds

State laws authorize the City to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or by trustees is secured in accordance with the requirements of the agency or trust agreement.

The City is authorized to invest in obligations of the U.S. government or its agencies, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, repurchase agreements, banker's acceptances, mutual funds of certain investment quality, and investment pools authorized by state law.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Other Employee Benefit and Agency Funds (Other Funds) deposits may not be returned by the bank. The City does not have a deposit policy for custodial credit risk. At June 30, 2005, the Other Funds had deposits of \$13,811,612 that were exposed to custodial credit risk as they were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Other Funds will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. As of June 30, 2005, the Other Funds had no investments subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that, over time, the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not specifically restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The City policy minimizes interest rate risk by requiring that the Fund attempt to match its investments with anticipated cash flow requirements. Unless related to a specific cash flow, the City is generally not permitted to directly invest in securities maturing more than 10 years from original date of purchase.

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As of June 30, 2005, the Other Funds had the following investments and maturities:

Employee Benefit Agency Funds	Fair Value	Less than 1 yr
Money Market	\$ 34,354,890	\$ 34,354,890
Mutual Funds	18,429,867	18,429,867
U.S. Govt Agency Securities	39,733	39,733
Equity	4,436,139	4,436,139
Total-Unrestricted	\$7,260,629	\$7,260,629
Restricted-Mutual Funds	2,200,862	2,200,862
Grand Total	\$ 59,461,491	\$ 59,461,491

Credit Risk

The City's investment policy complies with state law which limits its investments in commercial paper, mutual funds and external investment pools which purchase commercial paper to the top two rating classifications issued by two nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2005, the Other Funds investments in debt securities are with money market funds and mutual funds, which have no rating.

e. Component Units

School District of the City of Detroit.

State statutes and the School District of the City of Detroit (School District) investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District deposits are in accordance with statutory authority.

The School District has designated three banks and one credit union for the deposit of its funds.

The investment policy adopted by the School District has authorized investments as listed in the State statutory authority as listed above.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$9,098,466 had \$8,880,646 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring

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the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term securities, liquid assets funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year-end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Federal Home Loan Mortgage Corporation Discount Note	\$ 15,043,980	7/5/2005	AAA	S&P
Bank America Tri Party Repurchase Agreement	70,000,000	7/1/2005	AAA	S&P
Goldman Sachs Tri Party Repurchase Agreement	21,000,000	7/1/2005	AAA	S&P
Morgan Stanley Tri Party Repurchase Agreement	70,000,000	7/1/2005	AAA	S&P
ING US FDG LLC Commercial Paper	1,994,380	8/1/2005	AAA	S&P/Moody's
JP Morgan US Government Money Market Fund Capital Class	82,980,449	N/A	AA+/A+	AA+/A+
Dreyfus Corporation Dreyfus Government Cash Management	871,449	N/A	N/A	N/A
Citicorp Discount Commercial Paper	1,996,760	7/19/2005	AAA	S&P/Moody's
AIG FDG Inc Discount Commercial Paper	8,693,451	7/22/2005	AAA	S&P/Moody's
Citico LLC Discount Commercial Paper	6,387,778	7/22/2005	AAA	S&P/Moody's
Citigroup Global Markets Holdings Inc. Discount Commercial Paper	5,487,075	7/27/2005	AAA	S&P/Moody's
General Electric CNY Corporation Discount Commercial Paper	1,994,380	8/1/2005	AAA	S&P/Moody's
ING US FDG LLC Discount Commercial Paper	12,963,470	8/1/2005	AAA	S&P/Moody's
Barclays US FDG LLC Discount Commercial Paper	5,866,193	8/31/2005	AAA	S&P/Moody's
Barclays US FDG LLC Discount Commercial Paper	4,968,550	9/6/2005	AAA	S&P/Moody's
UBS Financial Del LLC Discount Commercial Paper	3,776,698	9/6/2005	AAA	S&P/Moody's
Citigroup Global Markets Holdings Inc. Discount Commercial Paper	4,968,100	9/7/2005	AAA	S&P/Moody's
Delta Del LLC Discount Commercial Paper	4,669,450	9/9/2005	AAA	S&P/Moody's
Federal Home Loan Bank Discount Note	8,990,100	7/13/2005	AAA	S&P
Federal National Mortgage Association Discount Note	9,862,313	7/15/2005	AAA	S&P
Federal Home Loan Bank Discount Note	8,989,200	7/15/2005	AAA	S&P
Federal National Mortgage Association Discount Note	4,982,000	8/10/2005	AAA	S&P
Federal Home Loan Mortgage Corporation Medium Term Note	2,000,160	10/7/2005	AAA	S&P
Federal Home Loan Bank Discount Note	5,443,900	10/18/2005	AAA	S&P/Moody's
Amstel Funding Corporation Commercial Paper	250,300	7/15/2005	AAA	S&P/Moody's
Asset One Sec LLC Commercial Paper	250,495	7/8/2005	AAA	S&P/Moody's
Atlantic One Funding Commercial Paper	246,340	8/11/2005	AAA	S&P/Moody's
Beethoven Funding Corporation Commercial Paper	246,373	11/9/2005	AAA	S&P/Moody's
Beethoven Funding Corporation Commercial Paper	319,970	7/1/2005	AAA	S&P/Moody's
Coca-Cola Company Commercial Paper	198,598	7/5/2005	AAA	S&P/Moody's
Coop Association Tractor Commercial Paper	98,931	7/25/2005	AAA	S&P/Moody's
Coop Association Tractor Commercial Paper	390,884	9/27/2005	AAA	S&P/Moody's
Dealers Capital Access Commercial Paper	147,704	10/12/2005	AAA	S&P/Moody's
Edison Asset Securitization Commercial Paper	245,540	10/3/2005	AAA	S&P/Moody's
Fairway Finance Corporation Commercial Paper	246,663	7/7/2005	AAA	S&P/Moody's
Fairway Finance Corporation Commercial Paper	245,884	11/7/2005	AAA	S&P/Moody's
GE Capital Corporation Commercial Paper	118,470	7/1/2005	AAA	S&P/Moody's
GE Capital Corporation Commercial Paper	197,314	9/8/2005	AAA	S&P/Moody's
Starbird Funding Corporation Commercial Paper	248,729	8/10/2005	AAA	S&P/Moody's

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June 30, 2005

	7/14/2005	7/21/2005	7/28/2005	8/4/2005	8/11/2005	8/18/2005	8/25/2005	9/1/2005	9/8/2005	9/15/2005	9/22/2005	9/29/2005	10/6/2005	10/13/2005	10/20/2005	10/27/2005	11/3/2005	11/10/2005	11/17/2005	11/24/2005	12/1/2005	12/8/2005	12/15/2005	12/22/2005	12/29/2005	1/5/2006	1/12/2006	1/19/2006	1/26/2006	2/2/2006	2/9/2006	2/16/2006	2/23/2006	2/29/2006	3/6/2006	3/13/2006	3/20/2006	3/27/2006	4/3/2006	4/10/2006	4/17/2006	4/24/2006	5/1/2006	5/8/2006	5/15/2006	5/22/2006	5/29/2006	6/5/2006	6/12/2006	6/19/2006	6/26/2006	7/3/2006	7/10/2006	7/17/2006	7/24/2006	7/31/2006	8/7/2006	8/14/2006	8/21/2006	8/28/2006	9/4/2006	9/11/2006	9/18/2006	9/25/2006	10/2/2006	10/9/2006	10/16/2006	10/23/2006	10/30/2006	11/6/2006	11/13/2006	11/20/2006	11/27/2006	12/4/2006	12/11/2006	12/18/2006	12/25/2006	1/1/2007	1/8/2007	1/15/2007	1/22/2007	1/29/2007	2/5/2007	2/12/2007	2/19/2007	2/26/2007	3/5/2007	3/12/2007	3/19/2007	3/26/2007	4/2/2007	4/9/2007	4/16/2007	4/23/2007	4/30/2007	5/7/2007	5/14/2007	5/21/2007	5/28/2007	6/4/2007	6/11/2007	6/18/2007	6/25/2007	7/2/2007	7/9/2007	7/16/2007	7/23/2007	7/30/2007	8/6/2007	8/13/2007	8/20/2007	8/27/2007	9/3/2007	9/10/2007	9/17/2007	9/24/2007	10/1/2007	10/8/2007	10/15/2007	10/22/2007	10/29/2007	11/5/2007	11/12/2007	11/19/2007	11/26/2007	12/3/2007	12/10/2007	12/17/2007	12/24/2007	12/31/2007	1/7/2008	1/14/2008	1/21/2008	1/28/2008	2/4/2008	2/11/2008	2/18/2008	2/25/2008	3/4/2008	3/11/2008	3/18/2008	3/25/2008	4/1/2008	4/8/2008	4/15/2008	4/22/2008	4/29/2008	5/6/2008	5/13/2008	5/20/2008	5/27/2008	6/3/2008	6/10/2008	6/17/2008	6/24/2008	7/1/2008	7/8/2008	7/15/2008	7/22/2008	7/29/2008	8/5/2008	8/12/2008	8/19/2008	8/26/2008	9/2/2008	9/9/2008	9/16/2008	9/23/2008	9/30/2008	10/7/2008	10/14/2008	10/21/2008	10/28/2008	11/4/2008	11/11/2008	11/18/2008	11/25/2008	12/2/2008	12/9/2008	12/16/2008	12/23/2008	12/30/2008	1/6/2009	1/13/2009	1/20/2009	1/27/2009	2/3/2009	2/10/2009	2/17/2009	2/24/2009	3/2/2009	3/9/2009	3/16/2009	3/23/2009	3/30/2009	4/6/2009	4/13/2009	4/20/2009	4/27/2009	5/4/2009	5/11/2009	5/18/2009	5/25/2009	6/1/2009	6/8/2009	6/15/2009	6/22/2009	6/29/2009	7/6/2009	7/13/2009	7/20/2009	7/27/2009	8/3/2009	8/10/2009	8/17/2009	8/24/2009	8/31/2009	9/7/2009	9/14/2009	9/21/2009	9/28/2009	10/5/2009	10/12/2009	10/19/2009	10/26/2009	11/2/2009	11/9/2009	11/16/2009	11/23/2009	11/30/2009	12/7/2009	12/14/2009	12/21/2009	12/28/2009	1/4/2010	1/11/2010	1/18/2010	1/25/2010	2/1/2010	2/8/2010	2/15/2010	2/22/2010	2/29/2010	3/6/2010	3/13/2010	3/20/2010	3/27/2010	4/3/2010	4/10/2010	4/17/2010	4/24/2010	5/1/2010	5/8/2010	5/15/2010	5/22/2010	5/29/2010	6/5/2010	6/12/2010	6/19/2010	6/26/2010	7/3/2010	7/10/2010	7/17/2010	7/24/2010	7/31/2010	8/7/2010	8/14/2010	8/21/2010	8/28/2010	9/4/2010	9/11/2010	9/18/2010	9/25/2010	10/2/2010	10/9/2010	10/16/2010	10/23/2010	10/30/2010	11/6/2010	11/13/2010	11/20/2010	11/27/2010	12/4/2010	12/11/2010	12/18/2010	12/25/2010	1/1/2011	1/8/2011	1/15/2011	1/22/2011	1/29/2011	2/5/2011	2/12/2011	2/19/2011	2/26/2011	3/5/2011	3/12/2011	3/19/2011	3/26/2011	4/2/2011	4/9/2011	4/16/2011	4/23/2011	4/30/2011	5/7/2011	5/14/2011	5/21/2011	5/28/2011	6/4/2011	6/11/2011	6/18/2011	6/25/2011	7/2/2011	7/9/2011	7/16/2011	7/23/2011	7/30/2011	8/6/2011	8/13/2011	8/20/2011	8/27/2011	9/3/2011	9/10/2011	9/17/2011	9/24/2011	10/1/2011	10/8/2011	10/15/2011	10/22/2011	10/29/2011	11/5/2011	11/12/2011	11/19/2011	11/26/2011	12/3/2011	12/10/2011	12/17/2011	12/24/2011	12/31/2011	1/7/2012	1/14/2012	1/21/2012	1/28/2012	2/4/2012	2/11/2012	2/18/2012	2/25/2012	3/4/2012	3/11/2012	3/18/2012	3/25/2012	4/1/2012	4/8/2012	4/15/2012	4/22/2012	4/29/2012	5/6/2012	5/13/2012	5/20/2012	5/27/2012	6/3/2012	6/10/2012	6/17/2012	6/24/2012	7/1/2012	7/8/2012	7/15/2012	7/22/2012	7/29/2012	8/5/2012	8/12/2012	8/19/2012	8/26/2012	9/2/2012	9/9/2012	9/16/2012	9/23/2012	9/30/2012	10/7/2012	10/14/2012	10/21/2012	10/28/2012	11/4/2012	11/11/2012	11/18/2012	11/25/2012	12/2/2012	12/9/2012	12/16/2012	12/23/2012	12/30/2012	1/6/2013	1/13/2013	1/20/2013	1/27/2013	2/3/2013	2/10/2013	2/17/2013	2/24/2013	3/2/2013	3/9/2013	3/16/2013	3/23/2013	3/30/2013	4/6/2013	4/13/2013	4/20/2013	4/27/2013	5/4/2013	5/11/2013	5/18/2013	5/25/2013	6/1/2013	6/8/2013	6/15/2013	6/22/2013	6/29/2013	7/6/2013	7/13/2013	7/20/2013	7/27/2013	8/3/2013	8/10/2013	8/17/2013	8/24/2013	8/31/2013	9/7/2013	9/14/2013	9/21/2013	9/28/2013	10/5/2013	10/12/2013	10/19/2013	10/26/2013	11/2/2013	11/9/2013	11/16/2013	11/23/2013	11/30/2013	12/7/2013	12/14/2013	12/21/2013	12/28/2013	1/4/2014	1/11/2014	1/18/2014	1/25/2014	2/1/2014	2/8/2014	2/15/2014	2/22/2014	2/29/2014	3/6/2014	3/13/2014	3/20/2014	3/27/2014	4/3/2014	4/10/2014	4/17/2014	4/24/2014	5/1/2014	5/8/2014	5/15/2014	5/22/2014	5/29/2014	6/5/2014	6/12/2014	6/19/2014	6/26/2014	7/3/2014	7/10/2014	7/17/2014	7/24/2014	7/31/2014	8/7/2014	8/14/2014	8/21/2014	8/28/2014	9/4/2014	9/11/2014	9/18/2014	9/25/2014	10/2/2014	10/9/2014	10/16/2014	10/23/2014	10/30/2014	11/6/2014	11/13/2014	11/20/2014	11/27/2014	12/4/2014	12/11/2014	12/18/2014	12/25/2014	1/1/2015	1/8/2015	1/15/2015	1/22/2015	1/29/2015	2/5/2015	2/12/2015	2/19/2015	2/26/2015	3/5/2015	3/12/2015	3/19/2015	3/26/2015	4/2/2015	4/9/2015	4/16/2015	4/23/2015	4/30/2015	5/7/2015	5/14/2015	5/21/2015	5/28/2015	6/4/2015	6/11/2015	6/18/2015	6/25/2015	7/2/2015	7/9/2015	7/16/2015	7/23/2015	7/30/2015	8/6/2015	8/13/2015	8/20/2015	8/27/2015	9/3/2015	9/10/2015	9/17/2015	9/24/2015	10/1/2015	10/8/2015	10/15/2015	10/22/2015	10/29/2015	11/5/2015	11/12/2015	11/19/2015	11/26/2015	12/3/2015	12/10/2015	12/17/2015	12/24/2015	12/31/2015	1/7/2016	1/14/2016	1/21/2016	1/28/2016	2/4/2016	2/11/2016	2/18/2016	2/25/2016	3/4/2016	3/11/2016	3/18/2016	3/25/2016	4/1/2016	4/8/2016	4/15/2016	4/22/2016	4/29/2016	5/6/2016	5/13/2016	5/20/2016	5/27/2016	6/3/2016	6/10/2016	6/17/2016	6/24/2016	7/1/2016	7/8/2016	7/15/2016	7/22/2016	7/29/2016	8/5/2016	8/12/2016	8/19/2016	8/26/2016	9/2/2016	9/9/2016	9/16/2016	9/23/2016	9/30/2016	10/7/2016	10/14/2016	10/21/2016	10/28/2016	11/4/2016	11/11/2016	11/18/2016	11/25/2016	12/2/2016	12/9/2016	12/16/2016	12/23/2016	12/30/2016	1/6/2017	1/13/2017	1/20/2017	1/27/2017	2/3/2017	2/10/2017	2/17/2017	2/24/2017	3/2/2017	3/9/2017	3/16/2017	3/23/2017	3/30/2017	4/6/2017	4/13/2017	4/20/2017	4/27/2017	5/4/2017	5/11/2017	5/18/2017	5/25/2017	6/1/2017	6/8/2017	6/15/2017	6/22/2017	6/29/2017	7/6/2017	7/13/2017	7/20/2017	7/27/2017	8/3/2017	8/10/2017	8/17/2017	8/24/2017	8/31/2017	9/7/2017	9/14/2017	9/21/2017	9/28/2017	10/5/2017	10/12/2017	10/19/2017	10/26/2017	11/2/2017	11/9/2017	11/16/2017	11/23/2017	11/30/2017	12/7/2017	12/14/2017	12/21/2017	12/28/2017	1/4/2018	1/11/2018	1/18/2018	1/25/2018	2/1/2018	2/8/2018	2/15/2018	2/22/2018	2/29/2018	3/6/2018	3/13/2018	3/20/2018	3/27/2018	4/3/2018	4/10/2018	4/17/2018	4/24/2018	5/1/2018	5/8/2018	5/15/2018	5/22/2018	5/29/2018	6/5/2018	6/12/2018	6/19/2018	6/26/2018	7/3/2018	7/10/2018	7/17/2018	7/24/2018	7/31/2018	8/7/2018	8/14/2018	8/21/2018	8/28/2018	9/4/2018	9/11/2018	9/18/2018	9/25/2018	10/2/2018	10/9/2018	10/16/2018	10/23/2018	10/30/2018	11/6/2018	11/13/2018	11/20/2018	11/27/2018	12/4/2018	12/11/2018	12/18/2018	12/25/2018	1/1/2019	1/8/2019	1/15/2019	1/22/2019	1/29/2019	2/5/2019	2/12/2019	2/19/2019	2/26/2019	3/5/2019	3/12/2019	3/19/2019	3/26/2019	4/2/2019	4/9/2019	4/16/2019	4/23/2019	4/30/2019	5/7/2019	5/14/2019	5/21/2019	5/28/2019	6/4/2019	6/11/2019	6/18/2019	6/25/2019	7/2/2019	7/9/2019	7/16/2019	7/23/2019	7/30/2019	8/6/2019	8/13/2019	8/20/2019	8/27/2019	9/3/2019	9/10/2019	9/17/2019	9/24/2019	10/1/2019	10/8/2019	10/15/2019	10/22/2019	10/29/2019	11/5/2019	11/12/2019	11/19/2019	11/26/2019	12/3/2019	12/10/2019	12/17/2019	12/24/2019	12/31/2019	1/7/2020	1/14/2020	1/21/2020	1/28/2020	2/4/2020	2/11/2020	2/18/2020	2/25/2020	3/4/2020	3/11/2020	3/18/2020	3/25/2020	4/1/2020	4/8/2020	4/15/2020	4/22/2020	4/29/2020	5/6/2020	5/13/2020	5/20/2020	5/27/2020	6/3/2020	6/10/2020	6/17/2020	6/24/2020	7/1/2020	7/8/2020	7/15/2020	7/22/2020	7/29/2020	8/5/2020	8/12/2020	8/19/2020	8/26/2020	9/2/2020	9/9/2020	9/16/2020	9/23/2020	9/30/2020	10/7/2020	10/14/2020	10/21/2020	10/28/2020	11/4/2020	11/11/2020	11/18/2020	11/25/2020	12/2/2020	12/9/2020	12/16/2020	12/23/2020	12/30/2020	1/6/2021	1/13/2021	1/20/2021	1/27/2021	2/3/2021	2/10/2021	2/17/2021	2/24/2021	3/2/2021	3/9/2021	3/16/2021	3/23/2021	3/30/2021	4/6/2021	4/13/2021	4/20/2021	4/27/2021	5/4/2021	5/11/2021	5/18/2021	5/25/2021	6/1/2021	6/8/2021	6/15/2021	6/22/2021	6/29/2021	7/6/2021	7/13/2021	7/20/2021	7/27/2021	8/3/2021	8/10/2021	8/17/2021	8/24/2021	8/31/2021	9/7/2021	9/14/2021	9/21/2021	9/28/2021	10/5/2021	10/12/2021	10/19/2021	10/26/2021	11/2/2021	11/9/2021	11/16/2021	11/23/2021	11/30/2021	12/7/2021	12/14/2021	12/21/2021	12/28/2021	1/4/2022	1/11/2022	1/18/2022	1/25/2022	2/1/2022	2/8/2022	2/15/2022	2/22/2022	2/29/2022	3/6/2022	3/13/2022	3/20/2022	3/2
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City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

The Major and Local Street Fund transferred \$30.3 million to the General Fund to reimburse General Fund for street construction costs.

7. Capital Asset Activity for the Year Ended June 30, 2005:

	Primary Government		
	Beginning Balance	Additions	Retirements
Governmental Activities:			
Non-Depreciable Assets:			
Land	\$ 355,511,574	\$ 27,536,453	\$ (34,400)
Works of Art	29,788,133	-	-
Construction in Progress	153,106,957	75,251,114	(21,360,725)
Total Non-Depreciable Assets	538,406,664	102,787,567	(21,395,125)
Depreciable Assets:			
Buildings and Improvements	698,160,966	106,885,999	(3,671,389)
Machinery and Equipment	377,848,919	34,168,607	(4,287,368)
Infrastructure	767,336,917	60,064,260	-
Total Depreciable Assets	1,843,346,802	201,118,866	(7,958,757)
Less Accumulated Depreciation for:			
Buildings and Improvements	263,325,399	31,805,821	(183,754)
Machinery and Equipment	297,444,161	22,770,003	(4,258,367)
Infrastructure	656,934,101	15,425,818	-
Total Accumulated Depreciation	1,187,703,661	70,001,642	(4,442,121)
Governmental Activities			
Capital Assets, Net	\$ 1,194,049,805	\$ 233,904,791	\$ (24,911,761)
			\$ 1,403,042,835

Depreciation Expense was charged to the Governmental functions as follows:

Public Protection	\$ 12,196,755
Health	1,830,351
Education	109,285
Recreation and Culture	9,286,687
Economic Development	18,376,250
Housing Supply and Condition	191,925
Physical Environment	23,015,059
Development and Management	4,995,130
Total:	\$ 70,001,642

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Business-type Activities:	Beginning Balance	Increases	Decrease	Ending Balance
Major Funds:				
Sewage Disposal Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 13,876,751	\$ -	\$ -	\$ 13,876,751
Construction in Progress	1,203,738,078	439,665,001	(423,417,016)	1,219,986,063
Total Non-Depreciable Assets	1,217,614,829	439,665,001	(423,417,016)	1,233,862,814
Depreciable Assets:				
Buildings and Structures	891,488,858	259,466,492	(239,425)	1,143,014,925
Sewer Lines	432,465,750	10,133,989	-	442,599,739
Machinery, Equipment and Fixtures	572,095,211	136,220,345	(294,257)	708,031,859
Total Depreciable Assets	1,996,039,976	399,200,176	(523,682)	2,394,716,470
Total Capital Assets	3,213,654,805	838,865,177	(423,930,698)	3,628,579,284
Less Accumulated Depreciation:				
Buildings and Structures	227,878,813	241,644,324	(213,185)	259,329,952
Sewer Lines	96,278,191	5,651,113	-	101,913,304
Machinery, Equipment and Fixtures	313,414,031	14,253,879	(283,451)	327,384,449
Total Accumulated Depreciation	637,571,035	44,653,316	(496,636)	681,127,715
Net Capital Assets	\$ 2,576,083,770	\$ 794,811,861	\$ (423,444,062)	\$ 2,947,451,569
Transportation Funds:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 4,114,574	\$ -	\$ -	\$ 4,114,574
Construction in Progress	4,699,876	3,892,509	(3,541,604)	5,050,781
Total Non-Depreciable Assets	8,814,450	3,892,509	(3,541,604)	9,165,355
Depreciable Assets:				
Buildings and Structures	65,498,463	4,411,792	-	69,910,255
Machinery, Equipment and Fixtures	48,489,640	2,340,984	-	50,830,624
Vehicle and Buses	148,970,549	32,227,735	(14,361,222)	166,837,062
Total Depreciable Assets	262,958,652	38,880,511	(14,361,222)	287,477,941
Total Capital Assets	271,773,102	42,773,020	(17,902,826)	296,643,296
Less Accumulated Depreciation:				
Buildings and Structures	45,764,174	1,377,739	-	47,141,913
Machinery, Equipment and Fixtures	28,840,860	3,412,179	-	32,253,039
Vehicle and Buses	66,682,027	12,129,304	(14,361,223)	64,450,108
Total Accumulated Depreciation	141,287,061	16,919,222	(14,361,223)	143,845,060
Net Capital Assets	\$ 130,486,041	\$ 25,853,798	\$ (3,541,603)	\$ 152,798,236

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Business-type Activities (continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Water Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 6,527,438	\$ -	\$ -	\$ 6,527,438
Construction in Progress	679,745,387	171,715,631	(433,433,858)	418,027,160
Total Non-Depreciable Assets	686,272,825	171,715,631	(433,433,858)	434,554,598
Depreciable Assets:				
Land Improvements	96,834,157	6,489,620	-	103,323,777
Buildings and Structures	453,406,152	254,440,499	-	707,846,651
Water lines	689,057,547	25,799,056	-	714,856,603
Machinery, Equipment and Fixtures	492,782,490	138,004,268	(151,748)	680,035,010
Total Depreciable Assets	1,732,080,346	424,733,443	(151,748)	2,156,662,041
Total Capital Assets	2,418,353,171	596,449,074	(433,585,606)	2,581,216,639
Less Accumulated Depreciation:				
Land Improvements	55,574,268	1,935,302	-	57,509,570
Buildings and Structures	172,328,105	7,660,215	-	179,988,320
Water Lines	246,104,133	9,566,224	(193,610)	255,476,747
Machinery, Equipment and Fixtures	173,646,239	22,367,967	(125,379)	195,888,827
Total Accumulated Depreciation	647,652,745	41,529,608	(318,989)	688,863,364
Net Capital Assets	\$ 1,770,700,426	\$ 554,919,466	\$ (433,266,617)	\$ 1,892,353,275
Automobile Parking Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 7,014,113	\$ -	\$ -	\$ 7,014,113
Construction in Progress	5,858,056	1,282,871	(6,636,744)	504,183
Total Non-Depreciable Assets	12,872,169	1,282,871	(6,636,744)	7,518,296
Depreciable Assets:				
Land Improvements	214,908	-	-	214,908
Buildings and Structures	199,088,852	8,199,660	-	207,288,512
Machinery, Equipment and Fixtures	2,339,955	51,251	-	2,391,206
Total Depreciable Assets	201,643,715	8,250,911	-	209,894,626
Total Capital Assets	214,515,884	9,533,782	(6,636,744)	217,412,922
Less Accumulated Depreciation:				
Land Improvements	166,368	10,745	-	177,113
Buildings and Structures	103,978,636	6,103,469	-	110,082,105
Machinery, Equipment and Fixtures	1,755,641	172,944	-	1,928,585
Total Accumulated Depreciation	107,900,645	6,387,158	-	114,287,803
Net Capital Assets	\$ 106,615,239	\$ 3,346,624	\$ (6,636,744)	\$ 103,325,119

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(Continued)

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Business-type Activities (continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Non-Major Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 5,169,374	\$ -	\$ -	\$ 5,169,374
Total Non-Depreciable Assets	5,169,374	-	-	5,169,374
Depreciable Assets:				
Land Improvements	8,020,718	-	-	8,020,718
Buildings and Structures	5,272,287	581,486	-	5,853,773
Machinery, Equipment and Fixtures	1,729,316	41,326	-	1,770,642
Vehicle and Buses	1,482,115	94,663	-	1,576,778
Total Depreciable Assets	16,504,436	717,474	-	17,221,910
Total Capital Assets	21,673,810	717,474	-	22,391,284
Less Accumulated Depreciation:				
Land Improvements	5,958,411	167,098	-	6,125,509
Buildings and Structures	4,078,141	43,462	-	4,121,603
Machinery, Equipment and Fixtures	1,437,656	80,809	-	1,518,465
Vehicle and Buses	630,554	101,719	-	732,273
Total Accumulated Depreciation	12,104,762	393,088	-	12,497,851
Net Capital Assets	\$ 9,569,048	\$ 324,386	\$ -	\$ 9,893,434

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(Continued)

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Component Units

School District of the City of Detroit:

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land and Land Rights	\$ 55,427,603	\$ 14,394,596	\$ (10,600)	\$ 69,811,599
Construction in Progress	432,500,072	15,192,146	(702,667)	446,989,551
Total Non-Depreciable Assets	487,927,675	29,586,742	(713,267)	516,801,150
Depreciable:				
Buildings and Structures	1,009,762,305	139,599,832	(5,171,000)	1,144,191,137
Land Improvements	63,406,679	38,037,657	—	101,444,336
Buses and Other Vehicles	43,313,438	8,746,862	(7,150,000)	44,710,300
Machinery, Equipment, and Fixtures	166,063,632	30,591,220	(14,992)	196,639,860
Total Depreciable Assets	1,282,546,054	216,975,571	(12,535,992)	1,486,985,633
Total Capital Assets	1,770,473,729	246,562,313	(13,249,259)	2,003,786,783
Less Accumulated Depreciation:				
Buildings and Structures	339,377,994	26,409,305	(1,180,711)	364,606,588
Land Improvements	10,915,892	3,748,108	—	14,664,000
Buses and Other Vehicles	27,172,099	3,791,281	(7,350,000)	23,613,380
Machinery, Equipment, and Fixtures	37,963,026	27,530,654	(2,415)	65,491,265
Total Accumulated Depreciation	415,432,011	61,479,348	(8,533,126)	468,378,233
Net Capital Assets	1,355,041,718	185,082,965	(4,716,133)	1,535,408,550

Other Component Units:

Non-Depreciable Assets:				
Land and Land Rights	\$ 38,032,013	\$ —	\$ —	\$ 38,032,013
Works of Art	3,216,175	—	—	3,216,175
Construction in Progress	29,407,376	673,354	(23,909,560)	6,271,170
Total Non-Depreciable Assets	70,755,564	673,354	(23,909,560)	47,519,358
Depreciable:				
Land and Leasehold Improvements	188,444	—	—	188,444
Buildings and Structures	236,345,291	—	—	236,345,291
Facility and Steamline	513,623,297	—	—	513,623,297
Machinery, Equipment and Fixtures	300,137,378	13,578,861	(128,019)	313,588,220
Vehicles and Buses	383,024	—	—	383,024
Total Depreciable Assets	1,050,677,434	13,578,861	(128,019)	1,064,128,276
Total Capital Assets	1,121,432,998	14,252,215	(24,037,579)	1,111,647,634
Less Accumulated Depreciation	514,836,000	27,364,368	—	542,100,368
Net Capital Assets	606,596,998	(13,012,153)	(24,037,579)	569,547,266

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

8. **Deferred Revenue:** Deferred revenue represents revenue received, but for which the revenue recognition criteria have not been met. Accordingly, these revenues are deferred until such time as the revenue recognition criteria are met.
9. **Due from/to Component Units:** Due from/to component units consists of sales, charges for services, and property tax revenue to the District, DPL, EDC, and DTC.

B. LIABILITIES

1. Commitments and Contingencies

- a. **Lawsuits and Claims:** The City is a defendant in numerous lawsuits and is also subject to other claims. It has been the City's experience that lawsuits and claims are often settled for amounts less than the stated demand. While it is not possible to determine the final outcome of these lawsuits and claims exactly, the City and its Legal Department have estimated that the liability for all such litigation and claims approximates \$116.5 million for governmental activities.
- b. **Grant Audits:** Several of the City's funds participate in a number of federally assisted grant programs, principally, the Community Development Block Grant, Low Income Housing Subsidies, Head Start, Job Training Partnership Act, DDS Work First/Edge, and Substance Abuse Programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs prior to and/or including the year ended June 30, 2005 have not been conducted and/or completed. Accordingly, the funds' compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined as of June 30, 2005. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.

- c. **Detroit Housing Commission Grant Audits (DHC):** Effective July 1, 2003, the City changed its presentation of the DHC to a discretely presented component unit of the City. In April of 2003, HUD issued a Management Review of the Detroit Housing Commission. This report outlined questioned costs and unsupported expenses amounting to \$14,236,946. These amounts are summarized below:

Grant Name	Amount
Low Income Housing Grant	\$ 5,722,600
PHIDEP	5,359,891
Capital Projects Grant	4,577,932
Total	15,660,423
Less: Amount not drawn down from HUD	(1,423,477)
	<u>\$ 14,236,946</u>

On May 16, 2001, the HUD Office of the Inspector General issued an Audit report concerning the HOPE VI Program. The report outlined \$18,291,476 in questioned costs due to HUD. Due to on-going negotiations, the balance of this liability is \$6,480,057 at June 30, 2005.

These liabilities were incurred while the DHC was reported as a department of the City; therefore, both of the contested amounts of \$14,236,946 and \$6,480,057 have been recorded in the City's government-wide financial statements. The City is in the process of vigorously defending these questioned costs.

- d. **Rate Matters:** The Sewage Disposal Fund is a party to certain challenges and disputes related to its wastewater treatment rates by various groups and governmental entities. The challenges address the reasonableness of the overall revenue requirement to be attained, certain cost allocation methods, and ultimate amounts billed. Settlement discussions are ongoing and the ultimate resolution is not currently known.

c. **Block Grant Funds:** Several revitalization projects in the City have used a combination of financing from governmental and private sources. One of the sources of governmental financing has been Section 108 loan notes from the Federal Government. As of June 30, 2005, future Block Grant Funds of \$22,523,000 were pledged as collateral for the amounts owed to the Federal Government under Section 108 of the Housing and Community Development Act of 1974, as amended. In addition, the City was previously authorized to use Block Grant Funds totaling \$66,962,000 for the Central Industrial Park Project. At June 30, 2005, \$2,807,433 is outstanding against this advance.

f. **Greater Detroit Resource Recovery Authority (GDRRA):** In 1991, the GDRRA sold its waste-to-energy facility to private investors in a sale-leaseback transaction for \$634.9 million. The purchase price was paid with \$127 million in cash, mortgage notes of \$342.7 million, and future assumption of revenue bonds payable in the amount of \$165.2 million. The purchasers agreed to lease the facility to an outside contractor for an initial lease term of 18 years. The outside contractor will continue to operate the facility under a supplemental operating agreement with the GDRRA, which results in the GDRRA assuming most of the lease obligations. Upon expiration of the initial lease term, the GDRRA has options to renew the lease or to repurchase the facility. The City, under the supplemental service contract, has agreed to pay supplemental tipping fees to the GDRRA sufficient to, among other things, meet these obligations. The lease payments approximate the amortization of the mortgage notes. The cash proceeds from the sale of the facility will be reported as a finance obligation until the GDRRA's repurchase option is exercised or expires, at which time the gain on the sale will be recognized. Additionally, in 1991 the GDRRA distributed \$54 million of the cash proceeds to the City, which was reflected as a reduction of the GDRRA's equity.

Future minimum lease payments for each of the next four years for the initial lease term are as follows: 2006 - \$51,419,062; 2007 - \$52,521,466; 2008 - \$34,719,333 and 2009 - \$34,719,333 (expiration year).

g. **Other Contingencies:** The General Fund has a contingent liability for the obligations of all other City funds should such funds be unable to generate sufficient funds to liquidate their liabilities. In particular, the Airport, Detroit Transportation Corporation, and Transportation Fund have received varying levels of subsidy from the General Fund to fund operating requirements.

h. **Construction Commitments:** The City has commitments for future construction contracts. Construction in progress and remaining commitments at June 30, 2005 are as follows:

	Spent to June 30, 2005	Remaining
Public protection	\$ 62,171,273	\$ 95,565,766
Municipal facilities	46,023,951	6,347,120
Cultural and recreational	111,813,976	7,397,933
Human services	1,288,329	2,465,326
Municipal services	1,755,560	1,089,108
	\$ 223,053,089	\$ 112,865,253

i. **Risk Management:** The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. During fiscal 1995, the City issued \$100 million of Self-Insurance Bonds, and a portion of proceeds were used to reimburse the General Fund for all of its fiscal 1995 legal judgments and workers' compensation claim payments (\$41 million). The bonds require that remaining funds be used for self-insurance activities. The City is self-insured for losses such as workers' compensation, legal, and disability benefits. The City currently reports the risk management activities of non-Enterprise Funds and Transportation Fund in its General Fund. Each fund pays insurance premiums to the General Fund based on past claims activities. Amounts remaining related to self-insurance have been reserved. Because Transportation fund is included in the General Fund's risk management activities, it does not record a liability in its financial statements.

Risk management activities for the other Enterprise Funds are recorded and reported separately in those funds. The Library, a discretely presented component unit, reimburses the City for all costs incurred related to workers compensation. The Library records the liability in its financial statements.

At June 30, 2005, the amount of the workers' compensation, legal claims and judgments, and disability benefits was estimated at \$181.2 million for the primary government. The City has recognized a liability that approximated \$7.0 million in the General Fund as of June 30, 2005 for public liability and workers compensation claims that were due as of year-end. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements. This liability is the City's best estimate based on available information. Changes in the reported liability for the years ended June 30, 2005 and 2004 were as follows:

	(In Millions)	June 30, 2005	June 30, 2004
Balance at Beginning of Year	\$	187.3	\$ 178.8
Current Year Claims and Changes in Estimates		60.8	117.7
Claims Payments		(66.9)	(109.2)
Balance at End of Year	\$	181.2	\$ 187.3

Claims, expenditures, and liabilities are reported in accordance with GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (as amended by GASB No. 17), when it is probable that an asset has been impaired or a liability has been incurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

As a result of the issuance of the Self-Insurance Bonds and the operations of the Self-Insurance Reserve Fund, at June 30, 2005 the General Fund has reserved \$29.2 million for the purpose of funding the City's future claims liabilities.

2. **Other Commitments:** The City has entered into various noncancelable operating leases for various equipment. The commitments under such lease agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending:	
2006	\$ 8,415,372
2007	5,486,898
2008	4,716,654
2009	2,748,140
2010	1,799,707
Total Minimum Payments	\$ 23,166,771

Rental expense for all operating leases approximated \$18.4 million for the year ended June 30, 2005.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage.

3. **Short-Term Revenue Anticipation Notes:** In June 2005, the City issued \$54,445,000 (Series 2005) in Revenue Anticipation Notes (RANS). The notes are due on April 3, 2006 and bear interest at 4.00% per year. The notes are not subject to redemption prior to maturity. The Notes were issued to pay necessary operating expenditures and to pay the costs of issuance with respect to the Notes.

4. **Long-Term Obligations**

Governmental Activities:

The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, Act 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10% of the assessed value of all the real and personal property in the City, or (b) 15% of the assessed value of all the real and personal property in the City if that portion of the total amount of indebtedness incurred which exceeds 10% is, or has been, used solely for the construction or renovation of hospital facilities.

In August 2004, the City issued \$41,325,000 of Unlimited Tax General Obligation Bonds to finance various capital projects; the bonds are fully matured in April 2024, with an average yield of 4.22%. Refunding Bonds were issued in the amount of \$70,355,000 to advance refund \$69,160,000 of previously issued Unlimited Tax General Obligation Bonds. The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$1,195,000. This difference, reported in the financial statements as a deduction from bonds payable, is being charged through the year 2018 using the straight-line method.

In August 2004, the City issued \$62,283,000 of Limited Tax General Obligation Bonds to fund the Risk Management Fund. The bonds fully mature in April 2014, with an average yield of 4.70%.

In January 2005, the City issued \$81,050,000 in Refunding Bonds that were issued to advance refund \$81,230,000 of previously issued Unlimited Tax General Obligation Bonds. The bonds fully mature in April 2011, with an average yield of 3.51%. The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$180,000. This difference, reported in the financial statements as an increase to bonds payable, is being charged through the year 2011 using the straight-line method.

In June 2005, the City issued \$87,030,000 of Limited Tax General Obligation Bonds to finance capital improvement projects. The bonds fully mature in April 2025, with an average yield of 3.24%. Refunding Bonds in the amount of \$11,785,000 were issued to advance refund \$11,410,000 of previously issued Limited Tax General Obligation Bonds. The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$375,000. This difference, reported in the financial statements as a deduction from bonds payable, is being charged through the year 2021 using the straight-line method.

The net savings (loss) from refundings and the related economic gains are as follows:

	Series 2004-B	Series 2005-A	Series 2005-B
	\$70,355,000	\$81,050,000	\$11,785,000
Cash flow requirements to service old debt	\$ 96,358,370	\$ 96,578,645	\$ 18,433,130
Less cash flow requirements for new debt	102,618,911	93,009,489	17,795,183
Net savings (loss) from refunding	(6,260,541)	3,569,156	637,947
Economic Gain	\$ 423,241	\$ 2,988,078	\$ 728,146

In prior years, the City defeased certain bonds by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. The amount of defeased debt outstanding at June 30, 2005 approximated \$193.0 million.

In June 2005, the City issued Pension Obligation Certificates of Participation (POC's) to fund certain unfunded accrued actuarial liabilities. The Governmental Activities was allocated an obligation of \$1,170,607,422 out of the total obligation of \$1,440,000,000. See the Pension Obligation Certificates of Participation Footnote B.4.F for further disclosure.

Business-type Activities:

Sewage Disposal Fund:

The outstanding indebtedness of the Sewage Disposal Fund was \$2,653,826,572 at June 30, 2005. The interest rates on the outstanding bonds range from 4.2% to 6.5%. Net revenues of the Sewage Disposal Fund are pledged to repayment of the bonds. In fiscal 2005, the Fund issued \$273,355,000 of City of Detroit, Michigan Sewage Disposal System Revenue Second Lien Bonds, Series 2005-A; \$40,215,000 of City of Detroit, Michigan Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005-B; \$63,160,000 of City of Detroit, Michigan Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005-C. The net proceeds were used to refund a portion of the City's outstanding Sewage Disposal System Revenue Bonds and Revenue Refunding Bonds and to pay cost of issuance associated with the 2005 Bonds.

The net proceeds of the Sewage System Revenue Second Lien Bond, Series 2005-A will be used (a) to deposit into the Construction Fund, and (b) for the payment of the related costs of issuance, including the premium for the municipal bond insurance.

The net proceeds of the Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005-B were used (a) to advance-refund \$ 22,355,000 principal amount of the City's Sewage Disposal System Senior Lien Bonds, Series 1997-A comprised of serial bonds maturing in the year 2022; (the "Advance Refunded 1997-A Bonds") with an average interest rate of 5%, (b) to advance refund \$ 115,000, 1999-A Sewage Disposal System Senior Lien Bonds, maturing 2011 and \$3,425,000, 1999-B Sewage Disposal System Senior Lien Bonds, maturing 2012, (the "Advance Refunded 1999-A Bonds") with an average interest rate of 5.20% and 5.25% respectively, (c) to advance refund \$8,215,000, 2003-A Sewage Disposal System Senior Lien Bonds maturing 2014 and \$ 8,470,000 Sewage Disposal System Senior Lien Bonds maturing 2015 (the "Advance Refunded 2003-A Bonds") with an average interest rate of 5.0%, and (d) to pay the related costs of issuance, including the premium for the bond insurance.

The proceeds of the Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005-C will be used (a) to advance refund \$ 6,770,000 principal amount of the City's Sewage Disposal System Senior Lien Bonds, Series 1995-A bonds maturing in the year 2025 (the Current Refunded Bonds 1995A) with an average interest rate of 5.0% (the "Refunded 1997-A Bonds") with an average interest rate of 5.0%, (b) to refund principal amounts of the City's Sewage Disposal System Senior Lien Bonds, Series 1995-B bonds with principal amounts of \$ 2,400,000 maturing in the year 2008, Series 1995-B bonds with principal amounts of \$ 20,410,000 maturing in the year 2015, and Series 1995-B bonds with principal amount of \$ 36,605,000 maturing in the year 2021.) With average interest rate of 5.25% (the "Advance Refunded Bonds") and, collectively with the Refunded 1995-A Bonds, the "Refunded Bonds"), and (c) for the payment of the related costs of issuance, including the premium for the municipal bond insurance

Those refunded securities were deposited to an irrevocable trust with an escrow agent to provide for all future debt service payments on the Currently Refunded 1995-A/B Bonds when due to and including July 1, 2005; the refunded 1997-A Bonds, due July 1, 2007; the 1999-A bonds due January 1, 2010 and the Refunded 2003-A bonds due July 1, 2013 at 100%-101%.

The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$8,987,394. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the straight-line method. The fund completed the advance refunding to reduce its total debt service payments over the next 20 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$6,143,299.

In prior years, the Sewer Fund defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in its financial statements. Similarly, the interest expensed related to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the statements of Revenues, Expenses, and Changes in Fund Net Assets. As of June 30, 2005, approximately \$593,330,000 of bonds outstanding are considered defeased.

Bonds outstanding at June 30, 2005 include \$2,318,471,573 of bonds callable at various dates after June 30, 2005. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

In June 2005, the City issued Pension Obligation Certificates of Participation (POC's) to fund certain unfunded accrued actuarial liabilities. The Transportation Fund was allocated an obligation of \$8,760,811 out of the total obligation of \$1,440,000,000. See the Pension Obligation Certificates of Participation Footnote B.4.F. for further disclosure.

Transportation Fund:

In June 2005, the City issued Pension Obligation Certificates of Participation (POC's) to fund certain unfunded accrued actuarial liabilities. The Transportation Fund was allocated an obligation of \$103,083,553 out of the total obligation of \$1,440,000,000. See the Pension Obligation Certificates of Participation Footnote B.4.F. for further disclosure.

Capital Leases: During the year ended June 30, 2005 the Fund entered into a capital lease agreement with GE Capital Public Finance, Inc. to lease 121 buses and received 102 of the 121 buses. The book value of the 102 buses under capital lease was \$31,005,862 as of June 30, 2005. The annual interest rate of the lease is 4.12% for 19 buses and 4.22% for 83 buses. The capital lease has been recorded at the present value of the future minimum lease payments as of the date of their inception. The present value of future minimum capital lease payments, interest, and the minimum annual lease payment for the 102 buses received as of June 30, 2005 is as follows:

Fiscal year ending June 30:	Year	Minimum Lease Payment Includes (principal and interest)
	2006	\$ 3,977,397
	2007	3,977,397
	2008	3,977,397
	2009	3,977,397
	2010	3,977,397
	2011-2015	19,847,056
		39,734,041
		(7,623,115)
		<u>\$ 32,110,926</u>
		Total minimum lease payments
		Less: Amount representing interest
		<u>Present value of minimum capital lease payments</u>

The actual purchase price of the 102 buses, leased by the fund, is \$31,438,223, a total of \$672,703 less than above lease amount. City's Finance Department will amend the lease agreement and return the \$672,703 plus interest to the lessor, which is recorded as a liability.

The Fund is required to hold \$11.3 million, equal to the lease proceeds not spent on the buses as of June 30, 2005.

Water Fund:

The outstanding indebtedness of the Water Fund for revenue bonds was \$1,991,615,000 at June 30, 2005. The interest rates on the outstanding fixed-rate revenue bonds range from 4.30% to 6.38%. Net revenues of the Fund are pledged to repayment of bonds.

In fiscal 2005, the Fund issued \$105,000,000 of City of Detroit, Michigan Water Supply System Revenue Senior Lien Bonds, Series 2005-A; \$195,000,000 of City of Detroit, Michigan Water Supply System Revenue Refunding Second Lien Bonds (Variable Rate Demand), Series 2005-B; and \$126,605,000 of City of Detroit, Michigan Water Supply System Revenue Refunding Senior Lien Bonds, Series 2005-C. The net proceeds were used to refund a portion of the City's outstanding Water Supply System Revenue Bonds and Revenue Refunding Bonds and to pay costs of issuance associated with the 2005 Bonds.

The net proceeds of the Water Supply System Revenue Second Lien Bonds, Series 2005-A, of \$97,314,500 (net of capitalized interest of \$8,611,516 and bond underwriting fees, insurance and other costs of issuance of \$2,119,542) were used to purchase US Government Securities.

The net proceeds of the Water Supply System Revenue Senior Lien Bonds (variable rate demand), series 2005-B of \$176,783,879 (net of capitalized interest of \$16,096,578 and underwriting fees, insurance and other issuance cost of \$2,119,542) were used to purchase U.S. Government Securities.

The proceeds of the Revenue Refunding Senior Lien Bonds, Series 2005-C, will be used to (a) to advance-refund \$69,285,000 principal amount of the City's Water Supply System Revenue Senior Lien Bonds, Series 1997-A comprised of serial bonds maturing in the years 2010, 2016 and 2017; the 2018 through 2021 mandatory redemption payment for serial 1997-A term bonds maturing July 1, 2027 (the Refunded 1997-A Bonds) with an average interest rate of 5.5% (b) to refund \$56,700,000 principal amount of the City's Water Supply System Revenue Senior Lien Bonds, Series 1999-A bonds maturing in the years 2011 through 2018 with interest rate of 7.48% (the "Refunded 1999-A Bonds" and collectively with the Refunded 1997-A Bonds, the "Refunded bonds") and (c) for payment of the related costs of issuance, including the premium for the municipal bond insurance.

Those refunded securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Refunded 1999-A Bonds when due to including July 1, 2010 and redeem the Refunded 1997-A Bonds on July 1, 2007 at 101%.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,640,081. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the straight-line method. The Water Fund completed the advance refunding to reduce its total debt service payments over the next 20 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,567,184.

In prior years, the Water Fund defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Water Fund's financial statements. Similarly, the interest expenses related to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the Statements of Revenues, Expenses, and Changes in Fund Net Assets. As of June 30, 2005 approximately \$511,265,000 of bonds outstanding are considered defeased.

Bonds outstanding at June 30, 2005 include \$1,792,485,000 of bonds callable at various dates after June 30, 2005. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

In June 2005, the City issued Pension Obligation Certificates of Participation (POC's) to fund certain unfunded accrued actuarial liabilities. The Water Fund was allocated an obligation of \$157,548,214 out of the total obligation of \$1,440,000,000. See the Pension Obligation Certificates of Participation Footnote B.4.F. for further disclosure.

Subsequent to year-end, the Fund received loans from the Michigan Municipal Bond Authority State Revolving Loan Fund Program in the amount of \$25,975,000 for the construction of facilities.

Automobile Parking Fund:

The outstanding indebtedness of the Parking Fund was \$60.8 million at June 30, 2005. The interest rates on the outstanding fixed-rate revenue refunding bonds range from 4.50% to 7.75%.

Component Units:

As of June 30, 2005, the School District had \$1.711 billion in bonds outstanding, plus \$40.3 million in unamortized bond premium, for a total of \$1.751 billion.

In April 2005 the School District refinanced Series 2005B bonds of \$210 million in short-term State Aid Anticipation Notes outstanding as of June 30, 2004 with a multi-year payment agreement with a lending institution as allowed by State law (Section 1225 of the Michigan Code). This refinancing was part of an overall deficit elimination plan approved by the State in February 2005. The terms of the issuance of this long-term debt require among other things, that the School District maintain a positive General Fund balance. As of June 30, 2005, the School District is in full compliance with all related debt covenants.

In prior years, the District defeased certain bonds by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the financial statements. The amount of defeased debt outstanding at June 30, 2005 approximated \$63.3 million.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

a. The following is the schedule of the Bonds Payable at June 30, 2005

General Obligation Bonds - Unlimited Tax	Bond Date	Amount Issued	Retired Year Ended June 30, 2005		Outstanding at June 30, 2005	Maturity Date	Range of Interest Rates
			Interest Rate %	Amount			
Series 1995-B	8-1-95	\$ 183,450,000.0	Various	\$ 99,470,000		-	-
Series 1996-A	11-1-96	21,195,000	Various	14,480,000		4/1/06-1	5.00 to 5.75%
Series 1996-B	11-1-96	15,195,000	4.50	17,000		4/1/06-1	5.00
Series 1997-A	11-1-96	21,875,000	Various	21,875,000		4/1/06-1	5.00 to 5.50
Series 1997-B	12-15-97	20,600,000	Various	3,340,000		4/1/06-1	5.00 to 5.50
Series 1997-C	12-15-97	12,860,000	Various	3,350,000		5/1/07	5.00
Series 1997-D	12-15-97	22,940,000	5.50	3,700,000		4/1/06-1	5.00 to 5.38
Series 1998-A	4-1-99	44,100,000	-	-		4/1/06-1	5.00 to 5.25
Series 1998-B	4-1-99	14,725,000	Various	-		4/1/06-1	5.00
Series 1999-B	11-15-99	30,275,000	Various	20,800,000		4/1/06-1	5.125 to 5.875
Series 2000-A	2-15-00	9,270,000	Various	4,425,000		4/1/09	5.75
Series 2000-A(NT)	2-15-00	1,335,000	-	-		4/1/10	5.75
Series 2001-A(1)	7-15-01	16,800,000	Various	8,405,000		4/1/07-11	3.80 to 5.50
Series 2001-A(2)	7-15-01	8,200,000	-	-		4/1/07-12	5.00 to 5.375
Series 2001-B	7-15-01	5,000,000	Various	4,650,000		4/1/09-11	Variable
Series 2001-B(1)	7-15-01	21,500,000	Various	-		4/1/12-14	5.50
Series 2001-B(2)	7-15-01	23,235,000	Various	-		4/1/12-14	5.375
Series 2002	8-2-02	13,840,000	Various	8,540,000		4/1/10	5.375
Series 2003	8-2-02	31,160,000	-	-		4/1/11-12	4.00 to 5.50
Series 2003A	10-21-03	7,065,000	-	-		4/1/10-12	3.70 to 5.00
Series 2003A	10-21-03	36,955,000	-	-		4/1/13-23	4.00 to 5.25
Series 2003B	10-21-03	10,170,000	-	-		4/1/06	3.01/5.00
Series 2004-A(1)	9-1-04	39,370,000	-	-		4/1/19-24	4.25 to 5.25
Series 2004-A(2)	9-1-04	2,055,000	-	-		4/1/12	4.57
Series 2004-B(1)	9-1-04	7,545,000	-	-		4/1/12	3.75 to 5.00
Series 2004-B(2)	9-1-04	45,540,000	-	-		4/1/13-18	3.75 to 5.24
Series 2004-B(3)	9-1-04	17,270,000	-	-		4/1/06-18	3.92 to 5.25
Series 2005-A	15-05	81,050,000	-	-		4/1/06-11	5.00
Total General Bonds - Unlimited Tax	12-1-93	136,675,000	5.00	10,540,000		5/1/07-09	5.20 to 5.25
Series 1993				10,540,000			
Series 1993				10,540,000			
Series 1993				10,540,000			
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Series 1993				10,540,000			
Series 1993				10,540,000			
Series 1							

1 - interest rate equal to the Dutch Auction Rate.
2 - interest rate equal to the Dutch Auction Rate. The cap of funds shall be the rate passed by the registered holder of the bonds.
c - indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable.

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(Continued)

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Governmental Activities:	Bond Date	Amount Issued	Retired Year Ended June 30, 2005		Outstanding June 30, 2005	Maturity Date	Range of Interest Rates
			Interest Rate	Amount			
Self-Insurance Bonds - Limited Tax							
General Obligation Bonds:							
Series 2003	10-2-03	\$ 98,895,000	-	\$ -		5/1/06-13	2.42 to 4.97%
Series 2004	9-9-04	62,285,000	-	-		4/1/09-14	3.92 to 4.85
General Obligation:							
Series 1997	5-1-97	3,300,000	5.05	560,000		7/1/05-06	5.15 to 5.20
Series 1997	5-1-97	13,665,000	5.625	1,375,000		7/1/07-19	5.25 to 6.25
Series 2002A	6-27-02	52,725,000	5.00	12,550,000		4/1/06-07	5.00
Series 2004A	3-12-04	41,760,000	2.00	3,880,000		4/1/06-09	2.00 to 5.00
Series 2004Fiscal Substitution	6-24-04	61,070,000	-	-		4/1/06-09	3.00 to 5.00
Series 2005-A(1)	6-24-05	21,325,000	-	-		4/1/06-15	4.27 to 4.53
Series 2005-A(2)	6-24-05	52,175,000	-	-		4/1/06-15	4.61 to 5.15
Series 2005-A(3)	6-24-05	4,065,000	-	-		4/1/06-15	3.50 to 4.50
Series 2005-A(2)	6-24-05	9,475,000	-	-		4/1/06-15	4.00 to 5.00
Series 2005-B	6-24-05	4,845,000	-	-		4/1/06-15	3.25 to 5.00
Series 2005-B	6-24-05	6,940,000	-	-		4/1/06-15	3.00
Total General Bonds - Limited Tax					388,045,000		
Total General Bonds:					967,895,000		
Revenue Bonds							
Detroit Building Authority Bonds							
Detroit Court Madison Center							
Project Series 1996 A	9-1-96	2,770,000	6.15	945,000		2/1/2006	6.15
Series 1996 B	9-1-96	7,230,000	-	-		2/1/07-11	6.15
Series 1996 B	9-1-96	1,000,000	-	-		2/1/11	Variable
Series 1996 B	9-1-96	6,910,000	7.97	546,872		7/1/05-06	7.97
Total Detroit Building Authority Bonds					945,000		
Total General Obligation Bonds:					977,816,953		

Revenue Bonds

Convention Facility Limited Tax Revenue Bonds-Cobo Hall Expansion	9-1-93	167,050,000	5.10	10,300,000	5.125 to 5.25	9/30/05-07	34,185,000
Series 1993	9-1-93	167,050,000	5.10	10,300,000	5.125 to 5.25	9/30/05-07	34,185,000
Series 2003	9-18-03	90,883,138	2.00	55,000	3.00 to 5.00	9/30/08-15	125,013,138
Total Convention Facility Limited Tax Revenue Bonds-Cobo Hall Expansion				55,000			159,198,138
Total Bonds							\$ 1,102,830,091

c - indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable

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(Continued)

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Business Type Activities:	Bond Date	Retired Year Ended			Range of Interest Rates	Maturity Date	Amount
		Amount Issued	Interest Rate	Amount			
Sanitary Disposal Fund							
Service Disposal System Revenue Bonds (note B):							
Series 1992-A-SRF (1994-01).....	6-25-92	\$ 4,360,000	2.00%	\$ 220,000	2.00%	4/1/06-13	\$ 1,955,000
Series 1992-B-SRF (1994-01).....	9-10-92	1,915,000	2.00	95,000	2.00	10/1/05-13	955,000
Series 1993-B-SRF (1994-01).....	9-30-93	6,603,996	2.00	330,000	2.00	10/1/05-14	3,590,000
Series 1995-A.....	11-1-95	132,430,000	5.00	6,770,000	6.00	7/1/05	2,885,000
Series 1995-B.....	11-1-95	65,880,000	Various	6,137,500	4.80 to 6.25	7/1/05-21	20,840,000
Series 1997-A.....	6-15-97	55,625,000	4.60	4,490,000	6.00	7/1/05-06	3,137,500
Series 1997-B-SRF (1994-01).....	9-30-97	206,869,000	Various	22,355,000	5.00 to 6.00	7/1/07-27	84,444,128
Series 1998-A.....	12-10-98	5,430,174	2.25	340,000	2.25	10/1/05-18	4,005,000
Series 1998-B.....	12-10-98	69,000,000	4.51	400,000	4.51	7/1/05-23	68,000,000
Series 1999-SRF-1 (1994-01).....	6-24-99	68,955,000	4.51	300,000	4.51	7/1/05-23	67,900,000
Series 1999-SRF-2 (1994-01).....	9-30-99	21,475,000	2.50	925,000	2.50	4/1/06-20	17,060,000
Series 1999-SRF-3 (1994-01).....	9-30-99	46,000,000	2.50	1,840,000	2.50	10/1/05-20	42,160,000
Series 1999-SRF-3 (1994-01).....	9-30-99	31,030,000	2.50	1,265,000	2.50	10/1/05-20	26,000,000
Series 1999-SRF-4 (1994-01).....	9-30-99	40,655,000	2.50	1,710,000	2.50	10/1/05-20	34,065,000
Series 1999-A.....	12-1-99	7,225,000	-	-	4.625 to 5.00	7/1/05-09	1,515,000
Series 1999-B.....	12-1-99	295,770,178	Various	3,540,000	5.125 to 5.25	7/1/10-21	34,080,179
Series 2000-SRF-1 (1994-01).....	9-30-00	53,475,000	2.50	2,140,000	2.50	10/1/04-22	42,368,275
Series 2000-SRF-2 (1994-01).....	9-30-00	65,000,000	2.50	2,600,000	2.50	10/1/04-22	50,941,582
Series 2001-SRF-1 (1994-01).....	6-28-01	82,200,000	-	-	2.50	10/1/05-24	82,200,000
Series 2001-SRF-2 (1994-01).....	6-28-01	57,195,868	-	-	2.50	10/1/05-24	59,850,000
Series 2001-A.....	9-15-01	76,375,000	-	-	5.00 to 5.13	7/1/11-31	76,375,000
Series 2001-B.....	9-15-01	110,550,000	-	-	5.50	7/1/03-29	110,550,000
Series 2001-C(1).....	9-23-01	159,970,000	Variable	360,000	Variable	7/1/04-27	156,500,000
Series 2001-C(2).....	9-23-01	127,165,000	Variable	235,000	Variable	7/1/04-24	124,500,000
Series 2001-D.....	9-23-01	92,450,000	Variable	-	Variable	7/1/02	92,450,000
Series 2001-E.....	9-23-01	139,080,000	-	-	Variable	7/1/24-31	139,080,000
Series 2002-SRF-1 (1994-01).....	10-27-01	18,985,000	2.50	760,000	2.50	4/1/05-23	17,480,000
Series 2002-SRF-2 (1994-01).....	10-27-01	1,970,000	2.50	80,000	2.50	4/1/05-23	1,390,369
Series 2002-SRF-3 (1994-01).....	12-19-02	43,740,000	-	-	2.50	10/1/05-33	12,255,979
Series 2003-A.....	5-22-03	158,000,000	3.00	21,560,000	5.00	7/1/04-13	135,555,000
Series 2003-B.....	5-22-03	441,390,000	5.00	16,885,000	5.00	7/1/04-33	424,675,000
Series 2003-C.....	5-22-03	150,000,000	-	-	Variable	7/1/13-33	150,000,000
Series 2003-SRF-1 (1994-01).....	6-28-03	48,570,000	-	-	2.50	10/1/06-25	29,529,874
Series 2003-SRF-2 (1994-01).....	9-25-03	25,800,000	-	-	2.50	4/1/06-25	18,208,014
Series 2004-A.....	1-9-04	101,435,000	2.00	570,000	3.00 to 3.25	7/1/06-24	100,865,000
Series 2004-SRF-1 (1994-01).....	6-24-04	2,910,000	-	-	2.125	10/1/05-24	501,132
Series 2004-SRF-2 (1994-01).....	6-24-04	18,690,000	-	-	2.125	7/1/04-25	6,064,547
Series 2004-SRF-3 (1994-01).....	6-24-04	12,920,000	-	-	2.125	7/1/04-25	4,669,474
Series 2005-A.....	3-17-05	269,590,000	-	-	2.75 to 3.70	7/1/06-15	3,765,000
Series 2005-B.....	3-17-05	40,215,000	-	-	3.75 to 5.125	7/1/16-35	269,590,000
Series 2005-C.....	3-17-05	22,065,000	-	-	3.40 to 5.50	7/1/12-22	40,215,000
Series 2005-D.....	3-17-05	22,065,000	-	-	2.40 to 5.00	7/1/06-25	22,065,000
Series 2005-E.....	3-17-05	41,095,000	-	-	5.00	7/1/16-26	41,095,000
Total Sanitary Disposal System Revenue Bonds.....							\$ 2,653,836,571

e - indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Business Type Activities	Retired Year Ended			Outstanding June 30, 2005			
	Bond Date	Amount Issued	Interest Rate	Amount	Range of Interest Rates	Maturity Date	Amount
Water Fund							
Water Supply System Revenue Bonds (Note A)							
Series 1993.....	10-15-93	\$ 38,225,000	4.70%	\$	6.50%	7/1/14-15	\$ 24,725,000
Series 1995-A.....	10-15-95	102,100,000	4.80	2,455,000	5.00-5.55	7/1/05-12	24,490,000
Series 1995-B.....	10-15-95	60,485,000	4.80	335,000	5.00-5.55	7/1/05-12	54,800,000
Series 1997-A.....	8-1-97	29,080,000	5.00	4,010,000	5.25	7/1/05-06	8,645,000
Series 1997-B.....	8-1-97	186,220,000	-	69,385,000	4.80 to 5.25	7/1/07-27	116,935,000
Series 1999-A.....	8-1-99	30,555,000	6.00	6,985,000	5.25	7/1/05-06	15,055,000
Series 1999-B.....	11-1-99	18,000,000	4.50	2,000,000	4.75 to 5.25	7/1/05-09	10,000,000
Series 1999-A-SRF.....	11-1-99	238,340,000	Various	56,790,000	5.125	7/1/10	200,000,000
Series 2001-A.....	5-1-01	302,485,000	-	-	4.50 to 5.75	7/1/11-33	167,875,000
Series 2001-B.....	5-1-01	108,985,000	-	-	4.50 to 5.50	7/1/12-33	108,985,000
Series 2001-C.....	6-1-01	192,900,000	Variable	385,000	-	7/1/05-29	191,905,000
Series 2003-A.....	1-28-03	234,805,000	-	-	4.75 to 5.25	7/1/14-34	234,805,000
Series 2003-B.....	1-28-03	172,945,000	-	-	2.00 to 5.25	7/1/05-33	172,945,000
Series 2003-C.....	1-28-03	463,555,000	2.00	3,410,000	2.00 to 5.25	7/1/05-33	460,380,000
Series 2004-A.....	5-04-04	151,700,000	Variable	405,000	Variable	7/1/05-33	150,965,000
Series 2004-B.....	5-04-04	163,590,000	-	-	Variable	7/1/11-24	171,010,000
Series 2005-A.....	3-1-05	18,735,000	-	-	3.00 to 5.00	7/1/08-33	18,735,000
Series 2005-B.....	3-1-05	86,265,000	-	-	3.85 to 5.00	7/1/10-35	86,265,000
Series 2005-C.....	3-1-05	195,000,000	-	-	Variable	7/1/10-35	195,000,000
Series 2005-D.....	3-1-05	28,670,000	-	-	3.00-5.00	7/1/08-14	28,670,000
Series 2005-E.....	3-1-05	126,605,000	-	-	5.00	7/1/15-22	126,605,000
Total Water Supply System Revenue Bonds.....							\$ 1,390,615,000
Automobile Parking Fund							
Denrol Building Authority Bonds - Revenue Refunding Bonds:							
Parking & Avrus System Series 1997	2-15-97	\$ 3,050,000	4.60%	\$ 355,000	4.70 to 4.80%	7/1/05-06	\$ 755,000
Parking & Avrus System Series 1997	2-15-97	37,695,000	6.50	4,535,000	6.68 to 6.79	7/1/05-06	10,000,000
Parking & Avrus System Series 1998	7-1-98	8,385,000	4.68	963,000	4.70 to 5.25	7/1/05-07	3,175,000
Parking & Avrus System Series 1998	7-1-98	18,615,000	-	-	4.70 to 5.25	7/1/08-19	18,615,000
Parking & Avrus System Series 1998	10-22-98	29,900,000	Variable	400,000	Variable	7/27/05-29	28,300,000
Total Denrol Building Authority Revenue Refunding Bonds.....							\$ 40,845,000
Total Business-type Bonds.....							\$ 4,708,886,517

Note A - Stated Principal amount of State Revolving Fund Bonds issued as part of the State of Michigan's Revolving Fund Loan Program. As the System draws additional amount from time to time hereafter, the outstanding principal amounts of such Bonds will correspondingly increase.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

b. The following is the schedule of Notes Payable at June 30, 2005:

Governmental Activities Notes Payable				
Urban Renewal Fund:	Issue Date	Range of Interest Rates	Maturity Date	Amount Outstanding June 30, 2005
Cancer Pharmaceutical Project (Secured by Future Block Grant Revenue)	8/1/2002	1.75 to 4.16 %	8/1/2008	\$ 4,366,000
Ferry Street Project (Secured by Future Block Grant Revenue)	4/28/1999	5.58 to 6.72	8/1/04-19	2,815,000
Garfield Project (Secured by Future Block Grant Revenue)	6/5/1996	6.67 to 7.66	8/1/03-15	1,840,000
Riverfront Project (Secured by Future Block Grant Revenue)	6/5/1996	6.59 to 7.66	8/1/03-15	665,000
Stromboli Project (Secured by Future Block Grant Revenue)	10/28/1997	6.11 to 7.08	8/1/03-16	405,000
Stromboli Project (Secured by Future Block Grant Revenue)	10/28/1997	6.11 to 7.10	8/1/03-16	315,000
New American Project (Secured by Future Block Grant Revenue)	8/1/2002	4.16 to 6.12	8/1/08-23	9,700,000
McCormack-Welton Center Project (Secured by Future Block Grant Revenue)	1/13/2005	LIBOR Plus 2%	8/1/08-24	7,789,000
Total Notes Payable				\$ 27,795,000

c. The following is the schedule of Loans Payable at June 30, 2005:

Governmental Activities Loans Payable				
Urban Renewal Fund:	Issue Date	Range of Interest Rates	Maturity Date	Amount Outstanding June 30, 2005
Downtown Development Authority:				
Loans Payable GE Capital Schedule - 009	1991-1997	- %	-	\$ 33,600,000
Loans Payable GE Capital Schedule - 010	10/30/2003	3.50	7/1/05-2/1/09	1,892,182
Loans Payable GE Capital Schedule - 011	10/30/2003	3.80	7/1/05-11-1-08	141,246
Loans Payable GE Capital Schedule - 012	11/15/2003	3.65	7/1/05-4/1/09	7,459,220
Loans Payable GE Capital Schedule - 013	4/2/2004	3.61	7/1/05-4/1/09	384,501
Loans Payable GE Capital Schedule - 014	4/9/2004	4.07	7/1/05-6/1/14	1,178,881
Loans Payable GE Capital Schedule - 015	5/14/2004	4.07	7/1/05-6/1/09	438,896
Loans Payable GE Capital Schedule - 016	5/14/2004	4.07	7/1/05-11/1/07	121,556
Loans Payable GE Capital Schedule - 017	5/14/2004	4.07	7/1/05-3/1/08	153,181
Total Loans Payable				\$ 45,369,963

d. The following is the schedule of Bonds Authorized and Unissued at June 30, 2005:

General Obligation Bonds (Tax Supported)				
Authority	Date	Authorized (Net A)	Amount	Unissued Amount
Sewer Construction	8/2/1960	\$ 50,000,000	\$ 24,000,000	\$ 26,000,000
Public Safety	1/14/1977	15,000,000	625,000	14,375,000
Public Safety	1/17/2000	12,000,000	1,500,000	10,500,000
Public Safety	1/17/2000	12,000,000	120,000,000	11,880,000
Municipal Facilities	1/17/2000	30,000,000	5,120,000	24,880,000
Neighborhood Economic Development	1/17/2000	19,000,000	19,000,000	-
Public Lighting	1/17/2000	35,000,000	27,000,000	8,000,000
Recreation, Zoo, Cultural	1/17/2000	56,000,000	22,000,000	34,000,000
Institute of Arts	1/17/2000	25,000,000	4,850,000	20,150,000
Historical	1/16/2001	20,000,000	17,300,000	2,700,000
Museum of African American History	4/29/2003	6,000,000	500,000	5,500,000
Transportation	1/17/2004	32,000,000	32,000,000	-
Total Bonds Authorized - Unissued			\$ 308,030,000	\$ 118,610,000

Note A - The electorate approved an amendment to the State Constitution (the "Amendment") November 7, 1975 that requires voter approval for the issuance of general obligation bonds effective December 22, 1975. The authority to issue bonds approved by the electorate continues until revoked by the electorate.

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City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

e. Summary of Annual Principal and Interest Requirements for Bonds, Notes, and Other Debt Payable:

Year Ending	Primary Government									
	Business-Type Activities					Interest				
	Governmental Activities	Water	Disposal	Sewage	Automobile	Governmental Activities	Water	Disposal	Sewage	Automobile
2006	\$ 85,586,083	\$ 24,595,000	\$ 50,035,000	\$ 53,305,000	\$ 6,615,000	\$ 85,586,083	\$ 24,595,000	\$ 50,035,000	\$ 53,305,000	\$ 6,615,000
2007	86,524,015	25,535,000	51,180,000	54,491,128	7,015,000	86,524,015	25,535,000	51,180,000	54,491,128	7,015,000
2008	91,540,094	25,970,000	54,491,128	59,449,128	7,459,220	91,540,094	25,970,000	54,491,128	59,449,128	7,459,220
2009	119,403,236	35,070,000	59,449,128	66,688,555	8,092,000	119,403,236	35,070,000	59,449,128	66,688,555	8,092,000
2010	120,440,746	34,655,000	59,449,128	66,688,555	8,092,000	120,440,746	34,655,000	59,449,128	66,688,555	8,092,000
2011-2015	378,447,684	211,425,000	312,548,398	352,125,636	261,685,000	378,447,684	211,425,000	312,548,398	352,125,636	261,685,000
2016-2020	186,118,196	107,935,000	186,118,196	186,118,196	107,935,000	186,118,196	107,935,000	186,118,196	186,118,196	107,935,000
2021-2025	107,935,000	391,963,259	391,963,259	391,963,259	391,963,259	107,935,000	391,963,259	391,963,259	391,963,259	391,963,259
2026-2030	-	568,030,000	568,030,000	568,030,000	568,030,000	-	568,030,000	568,030,000	568,030,000	568,030,000
2031-2035	-	95,240,000	95,240,000	95,240,000	95,240,000	-	95,240,000	95,240,000	95,240,000	95,240,000
2036	-	-	-	-	-	-	-	-	-	-
Total	\$ 1,175,995,054	\$ 2,653,826,573	\$ 2,653,826,573	\$ 2,653,826,573	\$ 2,653,826,573	\$ 1,175,995,054	\$ 2,653,826,573	\$ 2,653,826,573	\$ 2,653,826,573	\$ 2,653,826,573

Year Ending	Primary Government									
	Business-Type Activities					Interest				
	Governmental Activities	Water	Disposal	Sewage	Automobile	Governmental Activities	Water	Disposal	Sewage	Automobile
2006	\$ 59,480,874	\$ 90,716,074	\$ 65,004,412	\$ 3,531,479	\$ 27,336,622	\$ 59,480,874	\$ 90,716,074	\$ 65,004,412	\$ 3,531,479	\$ 27,336,622
2007	57,343,723	102,310,480	67,256,676	3,215,252	27,836,714	57,343,723	102,310,480	67,256,676	3,215,252	27,836,714
2008	52,753,115	100,677,322	66,688,555	2,906,261	27,642,121	52,753,115	100,677,322	66,688,555	2,906,261	27,642,121
2009	47,939,128	95,677,200	66,052,355	2,809,513	27,642,121	47,939,128	95,677,200	66,052,355	2,809,513	27,642,121
2010	41,973,293	95,677,200	66,052,355	2,809,513	27,642,121	41,973,293	95,677,200	66,052,355	2,809,513	27,642,121
2011-2015	136,000,588	443,765,627	317,597,299	12,921,991	113,836,880	136,000,588	443,765,627	317,597,299	12,921,991	113,836,880
2016-2020	54,823,995	412,230,438	278,601,025	9,127,908	86,610,146	54,823,995	412,230,438	278,601,025	9,127,908	86,610,146
2021-2025	9,932,322	330,014,842	230,487,594	5,673,842	665,597,427	9,932,322	330,014,842	230,487,594	5,673,842	665,597,427
2026-2030	-	89,278,407	173,388,743	2,500,303	54,714,582	-	89,278,407	173,388,743	2,500,303	54,714,582
2031-2035	-	4,642,380	1,462,380	1,462,380	28,443,403	-	4,642,380	1,462,380	1,462,380	28,443,403
2036	-	-	-	-	-	-	-	-	-	-
Total	\$ 460,207,608	\$ 1,403,138,892	\$ 1,403,138,892	\$ 46,374,138	\$ 553,975,841	\$ 460,207,608	\$ 1,403,138,892	\$ 1,403,138,892	\$ 46,374,138	\$ 553,975,841

The City entered into a loan payable with the Downtown Development Authority, a component unit, for \$33.6 million. The loan was used to cover cost related to the Cobo Hall Expansion Project and operations of the Downtown People Mover System. The loan is unsecured and bears no interest and will be repaid by the City as general operating funds become available. As such, the loan payable has not been included in either of the governmental activities annual principle or interest requirements.

Component Units		
Year Ending	Principal	Interest
2006	\$ 116,377,804	\$ 107,883,261
2007	122,553,549	109,468,671
2008	132,401,967	101,697,257
2009	145,140,178	111,828,129
2010-2014	543,089,865	532,276,533
2015-2019	278,441,549	268,157,185
2020-2024	417,258,572	39,506,246
2025-2029	281,221,362	1,435,466,127
2030-2034	-	-
2035	-	-
Total	\$ 3,397,838,338	\$ 4,452,493,920

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f. Pension Obligation Certificates of Participation (POC's)

On June 2, 2005, the Detroit Retirement Systems Funding Trust issued \$1,440,000 (\$640 million of taxable fixed rate, Series A and \$800 million of taxable floating rate, Series B) of taxable Pension Obligation Certificates of Participation (POCs). The Trust was created by the General Retirement System Service Corporation (GRSSC) and the Police and Fire Retirement System Service Corporation (PFRSSC), both blended component units of the City. The City entered into service contracts with the GRSSC and the PFRSSC to facilitate the transaction. The POCs represent undivided proportionate interests in the rights to receive the payments from the City under its service contracts with the GRSSC and the PFRSSC.

The POCs were issued for the purpose of the funding certain unfunded actuarial liabilities (UAAAL) of the two retirement systems of the City, which include the General Retirement System (GRS), and the Police & Fire Retirement Systems (PFRS), and a portion of the current normal contribution. The UAAAL is a liability of the City for past services rendered by its employees in which Michigan state law and the Michigan Constitution require that a portion be annually paid. The GRS includes employees and retirees of certain governmental funds, proprietary funds and the Detroit Public Library, a discretely presented component unit.

The amount of \$46,362,475 out of the total proceeds of \$1,440,000,000 relates to issuance costs that are recorded as an asset on the government wide and the proprietary fund financial statements and will be amortized over 20 years, the life of the POCs, \$739,793,897 of the proceeds were contributed to the GRS, which included \$52,503,654 of annual required contributions for June 30, 2005. The remaining amount of \$687,290,243 resulted in a net pension asset. \$630,829,188 of the proceeds were contributed to the PFRS, which included \$98,842,261 of annual required contributions for June 30, 2005. The remaining amount of \$331,986,927 resulted in a net pension asset.

Interest payments for Series A will commence on December 15, 2005 and are due semi-annually while the first principal payment is payable June 15, 2007, due annually, and are payable through 2025. Interest payments for Series B will commence on September 15, 2005 and are due quarterly through 2025 while the first principal payment is payable June 15, 2007, due annually, and are payable through 2025. The interest rates on the outstanding obligations range from 4.004% and 4.948%.

The redemption dates and aggregate principal and interest amounts for each such redemption date are as follows:

Summary of Annual Principal and Interest Requirements for Pension Obligation Certificates:

Maturity (June 15)	Principal					
	Primary Government			Interest		
	Governmental Activities	Sewer Disposal Fund	Business-Type Activities Transportation Fund	Water Fund	Totals	
2006	\$ 33,371,654	\$ 179,948	\$ 2,117,344	\$ 3,236,654	\$ 29,105,000	
2007	28,856,952	230,296	2,592,102	3,961,650	35,681,000	
2008	34,776,390	265,486	3,123,830	4,774,304	42,940,000	
2009	41,090,241	313,686	3,690,967	5,641,106	50,736,000	
2010	319,477,917	2,438,918	28,697,386	43,859,779	394,474,000	
2011-2015	396,445,178	3,026,492	35,611,038	54,426,251	485,509,000	
2016-2020	336,389,090	2,315,985	27,250,896	41,669,030	397,605,001	
2021-2025						
Total	\$ 1,700,607,422	\$ 8,760,811	\$ 103,083,553	\$ 157,548,314	\$ 1,440,000,000	

Maturity (June 15)	Principal					
	Primary Government			Interest		
	Governmental Activities	Sewer Disposal Fund	Business-Type Activities Transportation Fund	Water Fund	Totals	
2006	\$ 39,784,138	\$ 303,729	\$ 3,573,619	\$ 5,461,769	\$ 49,123,255	
2007	56,386,021	430,462	5,065,005	7,741,123	69,623,511	
2008	55,349,057	422,539	4,971,778	7,598,639	68,342,013	
2009	54,064,835	412,735	4,856,421	7,422,332	66,756,313	
2010	52,084,118	400,851	4,716,588	7,208,619	64,834,176	
2011-2015	277,884,304	1,739,685	20,469,900	31,285,264	281,379,053	
2016-2020	132,302,590	1,009,247	11,875,247	18,146,587	163,323,031	
2021-2025	51,751,433	395,075	4,648,617	7,104,735	63,899,852	
Total	\$ 669,931,638	\$ 5,114,323	\$ 60,177,175	\$ 91,972,069	\$ 827,195,204	